



## Europe's most respected companies

Executives rank their peers: FT-Price Waterhouse survey

Pages 8-9



**Shoichiro Toyoda**  
Leading the Keidanren  
as old order crumbles

Interview, Page 16



**Today's survey**  
Russia's future is  
in its own hands

Section III

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY JUNE 27, 1994

DB523A

## CDU edges ahead in east German state election

German chancellor Helmut Kohl's Christian Democratic party and the opposition Social Democratic party were last night running neck and neck in the first east German state election since 1990. Exit polls for the election in Saxony-Anhalt showed the CDU edging ahead with 35.2 per cent of the vote, while the SPD, led by Rudolf Scharping, had polled 34.4 per cent. The result prompted speculation the two parties might form a grand coalition in the state. Page 22

**Hebron killer 'acted alone':** Israel's official inquiry into the Hebron mosque massacre concluded that Jewish settler Baruch Goldstein acted alone when he shot dead 29 Palestinians kneeling in prayer. Page 5

**Italy: Shares in Italy's state-owned insurer go on sale today at £2,400 each, in an international public offering which will raise more than £4,000bn (\$3bn), making it Italy's biggest privatisation so far.** Page 23; Lex, Page 25

**Spain under pressure on ferry routes:** Spain must respond this week to formal complaints by the European Commission that it has disobeyed the rules and spirit of the EU's single market by refusing a UK shipping company access to the ferry route between Spain and Morocco. Page 22

**S Korea protests quashed:** South Korea, intensifying a crackdown on labour strife, used thousands of riot police to crush anti-government protests by strikers and students. A total of 397 people were arrested.

**China to consider HK port extension:** China has told Britain it will give urgent attention to proposals at last week's Sino-British talks for a HK\$100m (\$1.3bn) extension to Hong Kong's container port. Page 4

**Russian crime decree raises concern:** A decree empowering police to launch open warfare on organised crime is causing divisions among politicians and intellectuals and raising fears that combating criminality may lead to authoritarian rule. Page 3

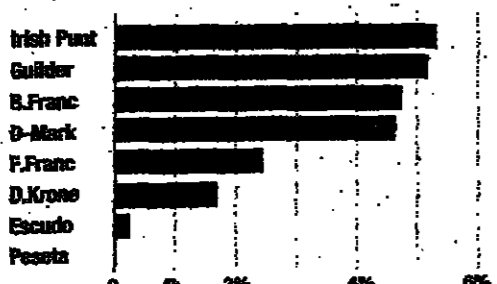
**Rebels fire on Kigali:** Explosions erupted on Mount Kigali, the last large part of high ground held by the government in Rwanda's capital, after rebel bombardments brought humanitarian efforts to a standstill. Hutus see France as their saviour. Page 5

**Hungary coalition agreed:** Hungary's new government of former communists and liberals passed its final hurdle when assemblies of the Socialist party and Alliance of Free Democrats approved a coalition. Page 3

**KPMG Post Marwick,** one of the UK's largest accountancy firms, is considering abandoning its traditional partnership status in favour of incorporation over the next few months. Page 23

**European Monetary System:** The order of currencies in the EMS grid was unchanged in spite of bond market volatility that caused a flight of investors to the safe haven D-Mark. In a week in which trading was dominated by dollar turbulence, the spread between the weakest and strongest currencies narrowed to just over 5 per cent from nearly 6 per cent a week ago. Currencies, Page 35

EMS: Grid June 24, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guider which move in a narrow 2.25 per cent band.

**Brewers fight for China shares:** A tie-up between Foster's of Australia and Wheelock of Hong Kong to seek joint brewing ventures in China marks a new stage in the struggle for the country's growing beer market. Page 23

**Black seeks to limit profit fall:** Conrad Black, chairman of the Telegraph group, said he hoped a drop in profits resulting from an 18p cut in the price of the Daily Telegraph to 30p would be limited to £5m-£10m in a full year. Page 23

**Boost for sustainable farming:** UK government funds for "sustainable farming" have been trebled to £12m to try to reduce the use of agrochemicals and fertilisers. Industry is providing a further £12m for the scheme. Page 11

**UK cross-media ownership delay:** Newspaper publishers' ambitions to take over British broadcasters may have to be put on hold because a growing parliamentary logjam is threatening serious delays to the required legislation. Page 11

**Pakistan business strikes over budget:** A patchy two-day business strike began in Pakistan with many stores, offices and factories shut down but public transport and most small shops staying open. Business is expected to budget measures, including a general sales tax. Page 4

## Special summit called after UK vetoes Dehaene as EU Commission president

# Kohl to seek successor to Delors

By Lionel Barber, David Gardner and Philip Stephens in Corfu

Chancellor Helmut Kohl of Germany will today start urgent talks with other European leaders in an attempt to head off a political crisis in the European Union following the failure of EU leaders to agree on a successor to Mr Jacques Delors as president of the European Commission.

Chancellor Kohl, bitterly disappointed that his choice of Mr Jean-Luc Dehaene, Belgian prime minister, was blocked by what was in effect a British veto, has called a special summit in Brussels on July 15 to resolve the dispute. However informal discussions on the issue are expected to get underway today.

Germany takes over the rotating EU presidency from Greece on Friday. Mr Kohl has the tricky task of coming up with a new candidate acceptable to all 12 member states.

Among several rumoured candidates are Mr Peter Sutherland, outgoing Irish head of the Gatt world trade organisation, and Viscount Etienne Davignon, a Belgian former industry commissioner who now heads the Société Générale de Belgique, the Belgian conglomerate. Mr Wilfried Martens, the former Belgian premier, is also being canvassed by some EU officials. The weekend

decision to continue blocking Mr Dehaene caused consternation. France and Germany were angered by the British refusal to bow to what they saw as a consensus.

However, several member states - including Italy, Portugal and the Netherlands - agreed with the UK case that France and Germany had been heavy-handed in pushing Mr Dehaene.

The Belgian premier remains in the race. But on Saturday he made clear that he had entered the running only after prompting from other member states, believed to be France and Germany. He added that becoming Commission president was not "a must". Mr Lubbers, evidently angered at German opposition to his candidacy, said: "The German chancellor now has a big problem. Either he has to persuade Mr Major, which I doubt, or we have to find a new candidate."

The deadlock provoked further bickering yesterday. Mr Klaus Kinkel, the German foreign minister, said there was "no need" to look for a compromise candidate because of domestic problems. "On a personal level, I have no problem with John Major," Mr Dehaene said on Belgian television yesterday.

Pages 2 and 3

Worst of all worlds □ Major saves his job □ Kohl rattled as protégé falls □ Wider and deeper Union on the cards

Editorial Comment, Page 21

statement at the Corfu summit risks triggering a confrontation between member states and the newly elected European Parliament, which is due to scrutinise the Commission president-designate at its inaugural session on July 19. Some member states were concerned that the recently elected MEPs might flex their muscles by promoting its own candidate.

Under the Maastricht treaty the parliament could as a last resort block a nomination. Efforts to reach agreement on a successor to Mr Delors broke up in acrimony early on Saturday morning. Mr Dehaene secured 10 votes at the end of two ballots.

Mr Rudi Lubbers, Dutch prime minister, and Sir Leon Brittan, chief EU trade negotiator, later withdrew as candidates. The UK

decision to continue blocking Mr Dehaene caused consternation. France and Germany were angered by the British refusal to bow to what they saw as a consensus.

However, several member states - including Italy, Portugal and the Netherlands - agreed with the UK case that France and Germany had been heavy-handed in pushing Mr Dehaene.

The Belgian premier remains in the race. But on Saturday he made clear that he had entered the running only after prompting from other member states, believed to be France and Germany. He added that becoming Commission president was not "a must". Mr Lubbers, evidently angered at German opposition to his candidacy, said: "The German chancellor now has a big problem. Either he has to persuade Mr Major, which I doubt, or we have to find a new candidate."

The deadlock provoked further bickering yesterday. Mr Klaus Kinkel, the German foreign minister, said there was "no need" to look for a compromise candidate because of domestic problems. "On a personal level, I have no problem with John Major," Mr Dehaene said on Belgian television yesterday.

## Major bolsters position within the Tory party

By Roland Rudd and Philip Stephens

Mr John Major, the UK prime minister, appeared to have temporarily strengthened his position within his party yesterday as Tory Euro-sceptics yesterday welcomed his veto of Mr Jean-Luc Dehaene as European Commission president.

After his humiliating climb-down two months ago over majority voting Mr Major is hoping that his defiant performance at the Corfu summit will appease his party's right wing enough to remove the threat of a challenge to his leadership in the autumn. The anger and bewilderment Mr Major left behind in Corfu will be followed today by noisy applause from the Euro-sceptics in the Tory backbenches in the House of Commons.

Having narrowly avoided heavy defeat in the recent elections for the European parliament, Mr Major decided that his precarious political position meant that isolation among his European partners was preferable to criticism from Conservative MPs at Westminster. However leading Euro-sceptics warned that the prime minister's position could quickly weaken if he allowed another federalist to be appointed at the special European summit called for July 15 to resolve the issue.

The decision to use Britain's veto appalled Tory members of the Positive European group, who warned Mr Major that he could find himself in a weaker position by relying on the support of Euro-sceptics.

However, the prime minister had little choice but to use the veto following a warning from Mr

Richard Ryder, the chief whip, that acceptance of the Belgian prime minister as Commission president would provoke a vicious backlash on the Tory backbenches.

Speaking after the summit the prime minister said he was "unperturbed" by his isolation. He said: "I believe that it is necessary, even at the expense of painful decisions and difficult moments to make sure that we have the best possible person for this vitally important job."

Mr Major attempted to play down suggestions that the move could signal a long-term crisis in Britain's relations with the other EU governments. He said that he "warmly welcomed" the decision to hold another summit in July and was "entirely" confident that a new candidate could be found that was acceptable to everyone.

Mr Douglas Hurd, the foreign secretary, denied that Mr Major had acted against his advice in using Britain's veto, saying that he had no doubt about the "rightness" of the prime minister's course. But there were clear signs that the foreign office would have preferred to avoid an 11-to-1 position and despite his public protestations to the contrary, Mr Hurd seemed less than happy at the outcome.

The prime minister was careful to avoid any suggestion that he would veto another candidate on the basis of "federalist views". Instead he stressed that Europe needed a president whose "instincts are for enterprise, openness and subsidiarity". On that basis he is expected to promote the candidacy of Mr Peter Sutherland, the outgoing head of the General Agreement on Tariffs and Trade.



Ukrainian president Leonid Kravchuk emerges from a polling booth in Kiev after voting in the presidential elections yesterday. The main issue for the voters was whether Ukraine should have closer ties with Russia. Kravchuk and his main opponent, the former prime minister Leonid Kuchma, are expected to be forced into a run-off as the top two candidates. Report, Page 3

## Markets expect US Fed to lead support of dollar again

By Peter Marsh in London and Richard Tomkins in New York

Financial markets expect central banks led by the US Federal Reserve to repeat early this week possibly today - their action to lift the dollar against the D-Mark and the yen.

But market analysts were sceptical last night about whether a rerun of Friday's intervention would be enough to boost the US currency. If such action failed it would encourage market speculation about an imminent rise in US interest rates.

A European monetary official warned yesterday that after years in which US government officials displayed lack of concern about the dollar, the Fed might be forced into monetary tightening. "Last Friday the US authorities showed they care [about the dollar] - a bit," he said.

The dollar purchases at the end

of last week by 17 central banks including the German Bundesbank failed to lift the currency, which closed on Friday in New York at ¥100.526 against the yen and DM1.584 against the D-Mark. In New York and London traders were confident at the weekend that central bank intervention would continue but said this would provide a selling opportunity for those wanting to offload the currency.

Mr Stephen Flanagan, vice president at New York stockbrokers PaineWebber, said: "There is no question that there is an overwhelming amount of bearishness built up against the dollar." Mr Paul Chertkow, global currency analyst at Union Bank of Switzerland in London said any further intervention would have to be "aggressive and concerted". But he said selling of the dollar so far this month, during which it fell sharply against the D-Mark and Yen, "has been a long way from an avalanche", with most large institutional investors on the sidelines. "The slide in the dollar is definitely not a repeat of the large-scale selling of currencies we saw in the European exchange rate mechanism crises of 1992 and 1993."

whelming amount of bearishness built up against the dollar."

Mr Paul Chertkow, global currency analyst at Union Bank of Switzerland in London said any further intervention would have to be "aggressive and concerted". But he said selling of the dollar so far this month, during which it fell sharply against the D-Mark and Yen, "has been a long way from an avalanche", with most large institutional investors on the sidelines. "The slide in the dollar is definitely not a repeat of the large-scale selling of currencies we saw in the European exchange rate mechanism crises of 1992 and 1993."

In Washington, the Fed is thought to be preoccupied with helping the US economy to recover, making it less than keen to consider an imminent rise in the short-term federal funds rate, now 4.25 per cent, to help the dollar.

### CONTENTS

Business	16	Equity Markets	28
International News	2-6	FT World Accounts	26
World Cup	6	Management	31-35
Most Respected Euro Con.	8	Money Markets	35
UK News	11	Share Information	35-37
Observer	21	World Stock Markets	30
Management	14	Survey	
Week Ahead	12	Russia	See section
Letters	20		
Guides to the Week	40		
People Page	15		
Working LifeSport	15		
Weather	22		
Art	19		
Business Travel	16		
Art Guide	19		
Crossword	40		
Competition	24,25		
UKNet	24,25		
Markets			
The Markets	28		
Greening Markets	28		
World Bond Markets	28		



■ BIG DESIGN AND BUILD DEALS ON QUALITY, GREENFIELD SITES.  
■ BIG RATES SAVINGS. ■ BIG CAPITAL GRANT AND LOAN DEALS.  
■ BIG ON-GOING SUPPORT DEALS. ■ BIG LIFESTYLE OPPORTUNITIES.

**FREEPHONE 0800 269300**

FOR DETAILS ON OUR GREENFIELD SITE DESIGN AND BUILD SERVICE



Rural Wales

THE BRITISH BUSINESS PARK

Development Board for Rural Wales, Ladywell House, Newtown Powys SY16 1JR.

## NEWS: EUROPE

# FT writers weigh up the two-day summit in Corfu which did not find a new president

## Worst of all worlds as EU leaders fail to agree

Choosing a successor to Mr Jacques Delors as president of the European Commission was never going to be easy. But amid chaotic scenes at the European summit in Corfu, the 12 heads of government of the EU ended up with the worst of all worlds, write Lionel Barber, David Gardner and Kerin Hope.

The Belgians are furious with the British for exercising a de facto veto against Mr Jean-Luc Dehaene, their prime minister and overwhelming favourite. The Dutch remain resentful about the Germans blocking their prime minister, Mr Ruud Lubbers. Everyone agrees that the selection process is flawed, but with the exception of Mr John Major, UK prime minister, no one seems happy

with the summit stalemate. Responsibility for solving the crisis over the Delors succession falls, therefore, to Chancellor Helmut Kohl. He intends to call a special summit on July 15 in Brussels, apparently calculating that the incoming German presidency can succeed where the Greeks so palpably failed in Corfu.

The choice of a successor to Mr Delors was supposed to be settled during a dinner among the 12 heads of government at the Achilleion, a gaudy 19th-century palace built for the Empress Elisabeth of Austria which later served as a summer retreat for Kaiser Wilhelm of Germany during the first world war.

Mr Andreas Papandreu, the 75-year-old Greek premier, whose heart condition is unlikely to have improved during the two-day sum-

mit, chaired the first session. Mr Lubbers and Mr Dehaene, both Christian Democrats, retired to the Corfu Hilton to await the outcome. They were replaced by deputies: Dutch finance minister Mr Wim Kok and Belgian foreign minister Mr Willy Claes, both Socialists in their coalition governments.

Mr Major opened with a presentation on behalf of Sir Leon Brittan, chief EU trade negotiator and the only other official candidate for the top Commission post. Mr Kok followed with arguments for Mr Lubbers, and Mr Claes for Mr Dehaene. Mr Papandreu then threw every-thing off balance by calling for an immediate secret ballot.

Eight countries led by France and Germany expressed a preference for Mr Dehaene: Belgium, Denmark, Greece, Ireland, Luxembourg, Por-

tugal, Three - the Netherlands, Spain, and Italy - voted for Mr Lubbers. Sir Leon received the solitary vote of the UK.

Shortly after midnight, Mr Jacques Santer, Luxembourg prime minister, arrived at the Corfu Hilton and declared an impasse. The meeting of the heads of government would reconvene at 10am on Saturday, he said.

The Spanish delegation meanwhile encouraged the impression that their prime minister Felipe González was negotiating with Mr Lubbers to reach a compromise to salvage Dutch national pride, while paving the way for Mr Dehaene.

But within a quarter of an hour, the meeting was reconvened, this time chaired by Mr Theodoros Pangalos, the unpredictable Greek European affairs minister. Mr

Papandreu retired to bed at the imperial hotel, though Greek officials insist that he remained in contact by telephone.

The second session was stormy. Mr Douglas Hurd, UK foreign minister, who generally steers clear of hyperbole, called the atmosphere "poisonous". Mr Kok demanded that Mr Kohl explain why he was against Mr Lubbers' candidacy, but failed to receive a satisfactory answer. "Normally the chancellor has a lot to say, but this time he didn't," said a visibly angry Mr Kok later.

Mr Major refused, point blank, to support Mr Dehaene. He told his colleagues: "This is not going to be sorted out tonight. I won't agree to Mr Dehaene even if it's 11 votes to one."

Mr Pangalos tried to ease the ten-

sion. Pointing to Mr Delors, he joked: "If it continues like this, we will have to ask Jacques to stay on - except he has other plans."

Mr Delors, who is in two minds about entering next year's race for the French presidency, smiled. Perhaps he was savouring the irony of a British veto against Mr Dehaene having the unintended effect of prolonging his 10-year stewardship in Brussels. Later, however, he specifically ruled out staying on for another five years.

In an effort to force a conclusion, Mr Pangalos called for a second vote. This time the eight pro-Dehaene member states picked up support from Spain and Italy, who said they were ready to "join the consensus". But the British and Dutch held out for their candidates.

By 8am on Saturday morning, the

British made clear that Mr Dehaene was unacceptable to them, claiming he represented a tradition of big government and interventionism. "Sir Leon fits the bill. Mr Lubbers fits the bill. Mr Dehaene does not," said a UK official.

Once the heads of government resumed later that morning, Mr Lubbers and Sir Leon withdrew their candidacies. For Sir Leon it was a lost cause, the finale to the first-ever public campaign for the top job in Brussels. Mr Lubbers, whose candidacy ran into an immovable Mr Kohl, had the last word.

"The German Chancellor now has a big problem. Either he has to persuade Mr Major - which I doubt - or we have to find a new candidate," said the outgoing Dutch premier.

## Kohl rattled as protégé falls at the last fence

One of the casualties of the Corfu summit was Chancellor Helmut Kohl. He pushed hard for Mr Jean-Luc Dehaene to succeed Mr Jacques Delors as president of the Commission, only to see the Belgian premier stumble at the last fence.

Mr Kohl clearly saw Mr

Paris and Bonn need to be a little more sensitive toward their partners, writes Lionel Barber

Dehaene as something of a protégé. Here was a politician without pretensions, skilled in the art of compromise, a fervent supporter of the need for deeper political and economic integration in Europe - in short, a man in the chancellor's own mould.

After Mr Dehaene, Mr Kohl's recent track record on personal matters is looking mixed. Mr Steffen Heitmann, the right-wing justice minister from former East Germany, was his first choice for president of the Bundesrepublik, but he was forced to bow out after ill-judged remarks about the Holocaust.

On Saturday afternoon, there was little disguising Mr Kohl's pique as he fended off questions about his own role in the Delors succession. He was particularly sensitive about why he favoured Mr Dehaene over the more experienced Mr Ruud Lubbers, Dutch prime minister.

"I don't have to explain this," said Mr Kohl. The chancellor also betrayed irritation at suggestions that

France and Germany had tried to push through their candidate without proper consultation - a suggestion which Mr Lubbers raised shortly after declaring his own candidacy last month.

Mr Kohl retorted on Saturday that it was absurd to talk about Franco-German hegemony in the European Union. The idea was "mad" and "primitive", he said.

Yet the impression of a Franco-German diktat on the Delors succession gained force last month after the Franco-German summit in Mulhouse, the traditional high-level meeting in which Bonn and Paris seek to co-ordinate positions ahead of the EU heads of government summit.

At Mulhouse, officials leaked the fact that Mr Kohl and President François Mitterrand had agreed to put forward Mr Dehaene as joint candidate. The officials described the decision as one of a series of joint positions on important EU matters such as deregulation and the future integration of central and eastern Europe.

One of the broader lessons from the Delors succession affair is that Paris and Bonn need to be a little more sensitive toward their partners, even as they draw closer to one another in the cause of European integration and are eager to show the outside world that the Franco-German axis remains secure in a Union in which Germany's weight is growing.

Mr José Manuel Durão Barroso, Portuguese foreign minister, summed up the mood among several other delegations. France and Germany were too big countries whose co-operation was vital for the Union, but "we do not like the way this has been handled".

## Next time round, the candidates will (probably) be...



● Viscount Etienne Davignon:

Could enter the race after the Corfu stalemate. Leading EU industry commissioner in the early 1990s. Dreamt up pan-European approaches to steel crisis and high-tech research. Not quite so successful in role as head of Société Générale de Belgique, the Belgian conglomerate. Great conceptual thinker and ruthless negotiator, his appointment would signal a strong European Commission. Biggest disadvantages: too old to represent New Europe. Whether he wins or loses: still more invitations to act as Commission's unofficial Brains Trust.



● Jean-Luc Dehaene, Belgian PM:

John Major's de facto veto seems to have wrecked Mr Dehaene's chances. The "Carthorse" could face calls to pull out of race with dignity once Corfu dust settles. Belgian public still surprised how close he came to succeeding Jacques Delors. Can console himself that he is still young enough for a top European post. Has an important job holding together a fragile coalition government. Whether he wins or loses: fewer references to his poor table manners and more recognition that he is a top-rank politician.



● Ruud Lubbers, outgoing Dutch prime minister:

Could rejoin race if the Netherlands, the only founder member of the Euro-club never to have held the top Brussels job, conforms to Dutch reputation for obstinacy. Trouble is, he and Chancellor Kohl are almost spitting words at each other, so the Dutch might find another runner. Whether he wins or loses: dignified but pungent remarks at summit suggest he's not as boring as everyone makes out. After burnt bridges of Corfu, unlikely to be going back into family bridge-building business.



● Wilfried Martens:

Belgian PM 1979-83 and tête noire of Mrs Thatcher. Unshaken federalist. Irritated the UK during the Gulf crisis by holding up release of Belgian ammunition for British troops. But he is shrewd and is liked by Chancellor Kohl. Was a candidate but could not get Belgian government backing: this time he might. Three credentials: a Christian Democrat, from the Low Countries, and a former PM. But has pledged to take up his seat in new Euro-Parliament. Whether he wins or loses: proof you cannot keep Belgians away from top jobs in Brussels.



● Peter Sutherland, Irish director general of Gatt:

Consummate self-publicist with an outside chance after deadlock. Knows Brussels after admired stint as competition commissioner 1985-88. Must quickly connect anti-British credentials and be obsequious to French, whom he accused of lack of leadership during last year's Uruguay Round showdown. If Germans like him, they're not talking. Whether he wins or loses: canvassing Sutherland for top international jobs is half-forming, so zero chance of damage to ego.

## Major plays safe by denying Dehaene

British PM found it easier to fight all Europe than the Tory party, reports Philip Stephens

So this time Mr John Major did not blink. After his humiliating climbdown two months ago over majority voting, the British prime minister calculated in Corfu that isolation among his European partners was preferable to derision from Conservative MPs at Westminster.

The decision to veto the appointment of Mr Jean-Luc Dehaene as the next president of the European Commission was dictated more by domestic than by European politics.

The anger and bewilderment he left behind in Corfu will be followed today by noisy applause from the Euro-sceptics on the Tory backbenches in the House of Commons.

There would have been no enthusiasm in London for the candidacy of the Belgian prime minister even if Mr Major's political position had been strong. Mr Dehaene's instincts about the future shape of Europe are not those of the British government.

But after narrowly avoiding catastrophe in the recent elections for the European parliament, Mr Major decided that his precarious political position dictated that he take his opposition to the limit.

The political backlash which followed the fiasco over majority voting - when Mr Major first signalled that he would stand and fight and then just as quickly retreated - had

been a salutary lesson. The prime minister was told by senior party managers at Westminster that acceptance in Corfu of Mr Dehaene would revive the threat to his premiership.

Mr Major did not arrive at the summit with a carefully laid plan to demonstrate his political virility by using Britain's national veto.

He had been intensely irritated at the way the Franco-German axis had operated to promote Mr Dehaene. He had tried to persuade the Belgian prime minister not to enter the race by warning him in advance of Britain's opposition.

But if he had decided in advance he could not acquiesce at this summit in the appointment of Mr Dehaene, Mr Major had hoped also for something less dramatic than a line-up of 11 to 1.

The decision to employ the veto was taken only after a flurry of consultations with other EU leaders and with Mr Douglas Hurd, the foreign secretary, and Mr Kenneth Clarke, the chancellor, late on Friday night.

Earlier, at the request of the Greek presidency, Mr Major had completed a voting slip in which he had marked Sir Leon Brittan as his first and Mr Ruud Lubbers as his second choice for the post.

The presidency said there



John Major: did not blink this time

was no mention on the slip of a veto. Instead the British prime minister had simply placed Mr Dehaene's name third on his list.

At that stage there had been hopes still in the British delegation that a more generalised deadlock would allow the whole issue to be deferred until after the start of the summer parliamentary recess late next month. The recess, which runs until October, would have taken the immediate political pressure off Mr Major.

But Chancellor Helmut Kohl's determination to secure Mr Dehaene's appointment before the first meeting of the new European parliament on July 19 changed the political calculation. An unpalatable decision



Douglas Hurd: looked less than happy

could not be deferred until Tory MPs were safely away on holiday.

Despite his public protestations to the contrary, Mr Hurd looked less than happy at the outcome. The foreign secretary had told cabinet colleagues before the summit that Mr Dehaene was no grand federalist in the mould of Mr Jacques Delors.

Instead he was a political Mr Fixit whose integrationist instincts would have been tempered by a large dose of pragmatism. Mr Hurd could have lived with Mr Dehaene as commission president.

The foreign secretary has indicated that he does not plan to bow out from the government in the impending cabinet

reshuffle. He has said that before he leaves he wants to put in place the building blocks for Britain's approach to the 1996 intergovernmental conference on the next stage of EU development.

But there must now be a question mark over how long Mr Hurd will be content running a foreign policy dictated by the Euro-sceptic wing of the Tory party.

For Mr Major the immediate political consequences of the veto will be favourable. The European election results were just tolerable enough to remove the threat of a summer crisis over his leadership. He will now hope that his Thatcherite performance in Corfu has done enough in appeasing the right to remove the remaining threat of a challenge in the autumn.

But in the longer term the picture is much less clear. In Europe, Mr Kohl will have no cause to help Mr Major out of the inevitable future scrapes that Britain will face. German officials appear contemptuous of Mr Major's insistence that he must follow rather than lead the Conservative party.

Mr Major has no guarantee that the new candidates who emerges from the Commission presidency will be any less "federalist" than Mr Dehaene. He explicitly acknowledged this when he set out his reasons for opposing the Belgian

prime minister. Mr Dehaene had been unacceptable because he came from a "tradition of big government and a tradition of interventionism". No mention was made of his views on the future structure of the EU. At Westminster, the price of appeasement of the Tory right will be to antagonise further the pro-European centre-left of Mr Major's party. And it is they rather than the Euro-sceptics who have in Mr Clarke an alternative candidate for the premiership.

Mr Major insists he is not in thrall to the right of his party. During the European election campaign he told cabinet colleagues that his exposition of the case for a multi-speed, multi-track Europe had been misunderstood as a precursor for British disengagement from the next stage of European integration.

But it is hard to escape the conclusion that the successor to Lady Thatcher is being pulled inexorably into repositioning the Conservatives as the party of nationalism rather than of Europeanism.

There is a good case to be put for developing the European Union of the future as a more flexible and diverse association than envisaged by old-fashioned integrationists. But Mr Major did that case no service at the Corfu summit.

## Euro-sceptics warn PM to hold out

By Roland Rudd

There was unmistakable euphoria among Tory Euro-sceptics yesterday over Mr John Major's blocking of Mr Jean-Luc Dehaene as the new EU president. But there was also a warning for the British prime minister: he must be prepared to use the veto again or risk losing their support.

Britain's Euro-sceptics, who outnumber Euro-enthusiasts in the Conservative party, are delighted but could quickly turn on Mr Major if he allows another federalist to take Mr Dehaene's place at next month's European summit.

Mr Michael Carttiss, a leading Euro-sceptic summed up: "If in July the prime minister

gives way to another federalist he will be finished."

It is a view also shared by some centrist backbenchers. "If by standing firm Mr Major secures the appointment of a president who is acceptable to both wings of the party he will have done himself enormous good," said another Tory MP. "But if the prime minister caves in to another federalist he will be in a worse position."

Sir John Hannam, secretary of the 1992 committee of backbench Tory MPs, said: "If the use of Britain's veto leads to the appointment of a compromise candidate, as appears to be the case, then this should satisfy the Euro-sceptics and pro-Europeans."

Mr Douglas Hurd, foreign

secretary, remains confident that the issue of a replacement for Mr Jacques Delors, EU president, will be quickly resolved, and that a candidate acceptable to all 12 EU states can be found.

Speaking on BBC television's Breakfast with Frost he said there was no question of Britain accepting a renewed bid by Mr Dehaene, who stood for the "out-of-date" ideas of government intervention and centralising power in Europe.

Mr Norman Lamont, the former chancellor and a critic of the government, said: "The prime minister's insistence that the next president of the European Commission should be acceptable to all member states will have the support of

all Conservatives."

Mr James Cran, another leading Euro-sceptic, predicted that backbenchers would be "humming the government's tune". He said: "The prime minister listened to his members, most of whom will applaud what he has done. The role of the UK is to act as a sceptic."

But the Euro-enthusiasts of the Tory Positive European group had a warning of their own. "The Euro-sceptics are a flexible group" said one pro-European Tory MP.

"They have backed him

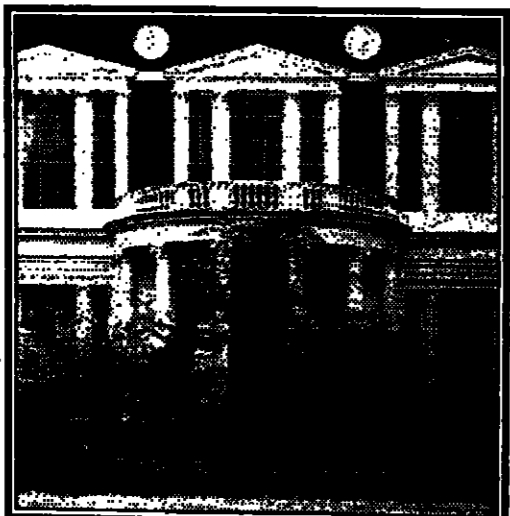
The government climbdown earlier this year over qualified majority voting enraged the Euro-sceptics who were led to believe that the prime minister would resist the new voting procedure.

A number of backbenchers believed that the prime minister had little option but to use the veto since the Conservatives had made it an issue in the European elections.

Sir Norman Fowler, party chairman, yesterday said the Tories were the only party prepared to use the UK's veto. But having used it once, the prime minister may be under pressure to use the veto again as the price for the continued support of the Euro-sceptics.

1928  
PORTMAN SQUARE

LONDON W1



COULD ROBERT ADAM  
HAVE DESIGNED THIS  
FOR YOUR BUSINESS?

An elegant, Grade I listed building  
overlooking Portman Square.

Approximately 25,000 sq ft including several  
fine state rooms, a secluded walled garden  
and two mews buildings.

To be leased.

THE PORTMAN OFFICE  
TELEPHONE 071-463 1444  
FACSIMILE 071-724 2295

THE FINANCIAL TIMES  
Published by The Financial Times (Europe)  
Limited, 1, Abchurch Lane, London EC4N 3DF.  
Registered in England. No. 10113. Telephone  
020 7556 5000. Fax 020 7556 5001. Telex 4161.  
Reprinted in Frankfurt by J. Walter Brand,  
Wilhelmstr. 1, D-6000 Frankfurt, Germany.  
Newspaper published by The Financial Times  
Newspaper Limited, 1, Abchurch Lane, London  
EC4N 3DF. Registered in England. No. 10113.  
Telephone 020 7556 5000. Fax 020 7556 5001.  
Telex 4161. Reprinted in Frankfurt by J. Walter  
Brand, Wilhelmstr. 1, D-6000 Frankfurt, Germany.  
ISSN 0950-0804. Copyright © 1994 The  
Financial Times. All rights reserved.

FRANCE  
Published by D. Gault, 101, Rue de  
Rivoli, F-75001 Paris Cedex 01. Telephone 01  
4757-4631. Fax 01 4757-4632. Telex 310.  
Nord Edit, 1521 Rue de la Gare, F-93000  
Reims Cedex 2. Editor: Robert L. Williams.  
ISSN 1146-2723. Copyright © 1994 The  
Financial Times. All rights reserved.

DENMARK  
Published by D. Gault, 101, Rue de  
Rivoli, F-75001 Paris Cedex 01. Telephone 01  
4757-4631. Fax 01 4757-4632. Telex 310.  
Nord Edit, 1521 Rue de la Gare, F-93000  
Reims Cedex 2. Editor: Robert L. Williams.  
ISSN 1146-2723. Copyright © 1994 The  
Financial Times. All rights reserved.

# Any other business? Wider and deeper Union on the cards

Although the Corfu summit ended in ill-tempered chaos because of EU leaders' failure to agree on a successor to Mr Jacques Delors, they did, amid the Ionian splendour and balmy weather, get some work done.

The summit set an agenda for further "widening" of the EU to east and south, and set in train preparations for "deepening" integration at the 1996 Maastricht review conference. In the follow-up to the Delors White Paper on jobs, competitiveness and growth, endorsed by last December's Brussels summit, the heads of government signed up to a balanced package of "an open economy... geared to solidarity": flexible labour markets and deregulation on the one hand but, on the other, assured finance for trans-European infrastructure and a 10-gun salute for the elected workers' councils in pan-European companies that all member states except the UK agreed to set up last week.

The summit began by putting in place four more building blocks in the construction of post-communist Europe. The leaders of Austria, Finland, Sweden and Norway signed their accession treaties to the Union, aimed at bringing them in next year. Austrians this month approved entry in a referendum, but the three Nordic countries still face difficult plebiscites on membership this autumn.

The summit conclusions therefore devoted praise to the newcomers, "in the vanguard of the efforts to promote environmental and social protection, transparency and open government, areas considered essential by a large part of the Union's citizens" in this month's Euro-elections. The EU was self-critical of its own feeble measures on open government, stating that these "require further elaboration".

The partnership and free trade agreement with Russia signed at Corfu, described by British Prime Minister John Major as "the most comprehensive agreement ever concluded between the Union and any other country", followed the similar agreement signed with Ukraine in Luxembourg last week.

Unexpectedly, the 12 put a figure of Ecu500m (£385m), on the aid they are willing to provide Ukraine to shut down the Chernobyl nuclear plant and replace them through the completion of three (rather than,

as expected, five) nuclear reactors already under construction. The controversial plan is placed in the framework of "adequate safety standards", effective measures on electricity prices, energy saving and alternative energy sources, and the ratification of the Vienna convention on nuclear liability.

The Ecu500m looks like the opening EU bid, to encourage the US and Japan to stump up serious funding for the plan at next month's Group of Seven summit in Naples.

Third, the summit welcomed the membership applications this spring from Hungary and Poland, and affirmed that the association agreements with these two countries and the Czech and Slovak republics would be used to propel them towards entry. The summit

approved a similar agreement with Slovenia, and set itself the goal of extending this umbrella eventually to the Baltic states.

Fourth, and to the satisfaction of the EU's Greek hosts, the summit stated that "the next phase of enlargement of the Union will involve Cyprus and Malta", subject to the resolution of the Cyprus conflict.

This is also subject to success in the 1996 constitutional review of EU decision-making, presented at Corfu as a precondition for further enlargement. To this end, the summit created a "reflection group" to begin work in June next year on "the weighting of votes, the threshold for qualified majority decisions, number of members of the Commission" and any other reform "deemed necessary to facilitate the work of the [EU] institutions and guarantee their effective operation in the perspective of enlargement".

The main participants in this group will be named by foreign ministers of the 12 and the Commission president. But Germany and the Benelux countries overcame British and French objections to letting in the European Parliament, two representatives of which "will participate in" - rather than merely "be associated with" - the group's work. Mr Kohl wants Mr Delors to chair the

group, a move likely to be resisted by the UK should the outgoing Brussels chief assent. In the White Paper discussion, the summit called for all increases in productivity to the end of the century to be ploughed back into investment and jobs, and more effort to reduce non-wage labour costs. Shifting some of these costs on to the environment reappeared on the EU wish-list, with the summit "taking note" of the still stalled EU discussion on carbon and energy taxes.

The conclusions endorsed a fast-track approach to liberalising energy and telecommunications networks. It also agreed on a priority list of 11 trans-European transport links, including high-speed train links across the channel, through Austria's Brenner pass, and from France south to Spain and Italy and north to Germany. A list of energy projects will be studied further.

The controversy over raising additional EU funding for these predominantly privately or nationally funded projects appears more or less resolved. The summit "confirms that measures will be taken - in order that priority projects do not run into financial obstacles that would jeopardise their implementation".

This victory for Mr Delors was followed by two others: the reaffirmation of the EU "social dimension" as an indispensable corollary to the single market; and the deal to name a minister in each member state responsible for co-ordinating all aspects of information technology development, a main theme of the white paper.

The deregulation, led by Germany and the UK, got their task force as well. This will do a cost-benefit analysis of not only EU but national legislation to weed out obstacles to jobs and competitiveness. But it will be run by the Commission and can be expected to focus strongly on national red tape.

Looking forward to the successive German and French EU presidencies, the summit endorsed the Franco-German call for a global strategy to combat racism and xenophobia in Europe, with a timetable running up to next June's summit.

The conclusions draw a veil over the Delors succession crisis, but note that the recent Euro-elections gave clear warning that "the Union will be judged by its citizens" on the strength of the measures it takes to defend their jobs and security.

## INTERNATIONAL PRESS REVIEW

# An event of less than summit importance

By Karin Hope

So this was the Greek coverage of the Corfu summit that a reader flipping the pages of an Athens tabloid could have missed it completely, despite Greece's role as host. Even heavyweight newspapers were reluctant to let it overshadow the weekend's main preoccupations: an imminent reshuffle of Prime Minister Andreas Papandreu's cabinet after the governing Socialists' poor showing in the European elections; and a list issued by the Finance Ministry, naming for the first time Greece's 200 worst tax offenders.

"All's well on Corfu" - except for the succession, headlined *Kathimerini*, the heavyweight daily, adding that the European leaders' failure to agree on a new Commission president was "a blow to the already low stature of the European Union".

To *Vima*, the other sober Greek newspaper, focused on what it called Friday night's "political thriller" as Mr Theodoros Pangalos, Greece's Euro-dollars affairs minister, attempted in the early hours to steer through the candidacy of Mr Jean-Luc Dehaene, the Belgian prime minister.

The UK veto on Mr Dehaene provoked little comment. Only *Kathimerini* gave it front-page coverage, saying that "Britain torpedoed Mr Dehaene's election".

Argo, the left-wing daily, concluded: "The complications in electing a new Commission president indicate that the process of European unification will be slowed down, and there could be a period of

stagnation in EU activities." For the Greek tabloids, there was only one story from the summit: Mr Pangalos's refusal to greet Mr Silvio Berlusconi, the Italian prime minister, at the signing ceremony for the EU's pact with Russia.

Greece, along with half a dozen other papers, gave a colourful account of the "vendetta between Pangalos and Berlusconi". *Eleftheros Typos* described at length the efforts by Greek government officials to cover up an embarrassing moment between the Greek Socialist, who refused to greet the Italian right-winger, including the Foreign Ministry spokesman's assertion that "nothing like that happened".

Several papers printed a picture, taken at the previous night's official dinner and produced later by the Italian government spokesman. It showed the burly Mr Pangalos gripping Mr Berlusconi's hand.

Mr Pangalos's gesture in refusing to greet Mr Berlusconi won approval from most newspapers, which have given widespread coverage to the Greek minister's criticism of Italy's neo-fascists.

But *Eleftheros Typos's* political column noted disapprovingly: "Greece is traditionally a hospitable country and Mr Pangalos should have been aware of that. It's not a question of culture but of Greek social custom."

However, opinions were mixed on whether Greece's six-month EU presidency had proved successful. *Kathimerini* concluded that "in general, Greece not only responded to the challenge of the presidency, but succeeded in changing the exceptionally negative image that prevailed

at the start of this six months." Concluding both the EU enlargement talks and the agreements with Russia and Ukraine "gave a boost to Greece's role on the European and international scene at a time when the country was getting worryingly low ratings".

But *Apogevmatini*, the conservative evening newspaper, maintained that the summit "revealed the nakedness of the Greek presidency, which was unprepared on everything and made no attempt to promote issues of broader Greek interest which are also of European interest. It has been a lost opportunity."

*Kathimerini's* opinion column added some advice for politicians and diplomats handling Greece's disputes with its Balkan neighbours and Turkey, based on watching the EU at work: "Greece's foreign policy problems have to be presented to international organisations on the basis of study, specific plans and modern diplomacy. Our arguments must be realistic to persuade our allies. A disjointed presentation of unyielding positions leads to failure."

One achievement at the summit, hailed mainly on the economic pages, was Greece's inclusion in three projects in the EU's plan for trans-European transport and energy networks. But several newspapers also ran gloomy commentaries on Greece's revised plan for economic convergence with the rest of the EU, announced just before the summit. *Eleftheros Typos* said: "The tragedy of the convergence plan is not just that it won't lead us to Europe but that there will be four years of austerity in the meantime."

# Anti-crime measures split Russians

A decree empowering Russian police to launch open warfare on organised crime, which is due to come into effect today, is causing divisions among politicians and intellectuals and raising fears that combating criminality may lead to authoritarian rule.

The campaign was authorised by a decree from President Boris Yeltsin two weeks ago and was deemed by the parliament last week to be unconstitutional.

However, General Mikhail Yegorov, the first deputy interior minister and Russia's top official on organised crime, brushed aside deputies' objections, saying they were acting out of self-interest.

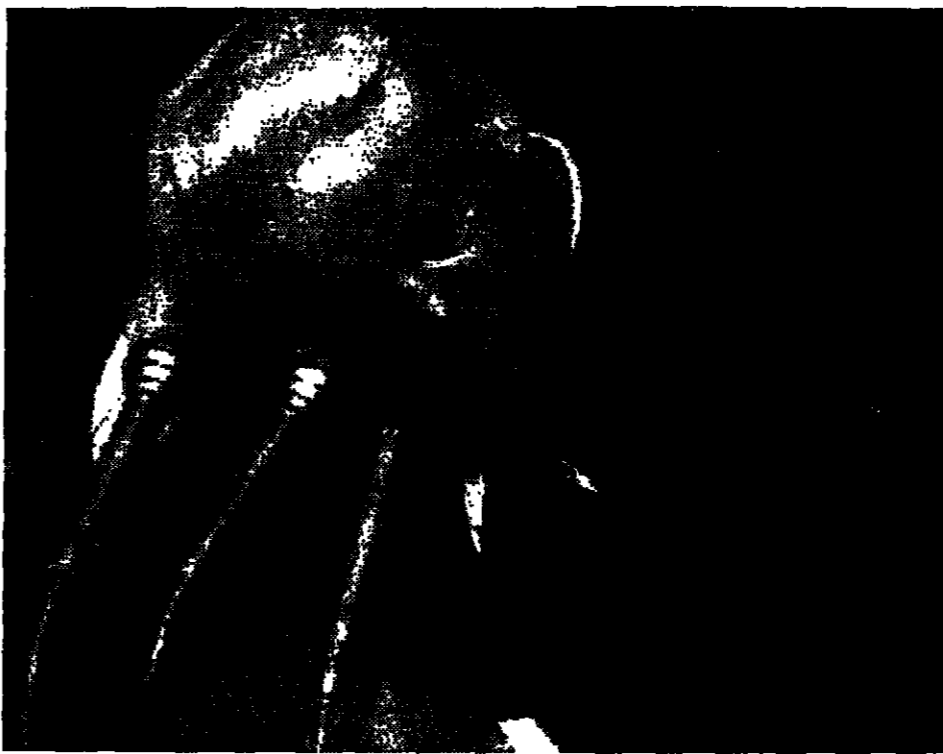
"Checks on bank accounts will show what financial support certain politicians have. It's only natural; they don't want this information made public," he said.

Mr Victor Stepanin, head of the Federal Counter-Intelligence Service (FCS) - successor to the KGB - said last week: "I'm all for the violation of human rights if the human is a bandit or a criminal." This view may be popular: crime has long topped the opinion polls as the issue of greatest public concern.

The decree allows suspects to be held incommunicado for up to 30 days; authorises searches of offices, flats and hotel rooms without warrants; and gives police the right to open bank accounts to scrutiny. "Bank or commercial secrets cannot prevent investigation of criminal acts," said Gen Yegorov.

Even Mr Yeltsin has not tried to claim that it is constitutional - the constitution, for example, allows a period of

Sweeping new decree could revive bad old days of authoritarian rule, reports John Lloyd



Boris Yeltsin: says clampdown is justified by the crisis

only 48 hours for being held without charge. Mr Yeltsin argues that the clampdown is justified by the crisis into which crime is plunging the country.

Its scale, in Russia and the other former Soviet states, is attracting great international concern. Mr Louis Freeh, director of the US FBI, leaves today for a 10-day trip to Russia and other east and central Euro-

pean nations for talks on how to control the spread of crime - particularly in the areas of theft of nuclear material and drugs.

Commenting on Mr Yeltsin's decree, Mr Freeh said it attempted to hold back "an avalanche of violent crime threatening the very structure of government".

US officials estimate Russian gangs have 100,000 members

and are linked with US, Sicilian and Colombian drug traffickers.

Mr Stepanin has claimed that foreign intelligence services - especially those of the Baltic states - are using Russian gangs to destabilise the Russian state. He claims that a decree, re-establishing the formerly banned investigation department in the FCS, is awaiting presidential signa-

ture. This would give the former KGB back many of its former powers.

Figures published by the Russian authorities over the weekend point to huge rises in drug use and crime. The figures show 1.5m addicts in Russia as against 800,000 in 1992, almost a doubling in two years, and claim that 1m hectares are now growing the hemp from which opium is made, while 400 farms have been turned over to narcotic production.

While the decree and the activity are likely to be popular among people who now witness both greatly increased violence and conspicuous luxury on the part of criminals - bombings alone have gone up from 16 in 1993 to 118 in only the first six months of 1994 - it is tearing Russia's politicians apart.

Mr Grigory Yavlinsky, head of the reformist Yabloko faction in the lower house, clashed angrily and publicly with Mr Anatoly Sobchak, mayor of St Petersburg, at a World Economic Forum conference in Moscow last week on the issue.

The former claimed that the president was tearing up his own constitution and the latter defended the necessity for it before society was engulfed in crime.

Though Mr Yavlinsky claimed the prosecutor's office was "in chaos" under the twin pressures of a presidential decree on the one hand and a constitution on the other, Mr Alexei Ilyushenko, the acting public prosecutor, appears to support the decree.

"It is a question of whether the state can bring the Mafia to its knees - or vice versa," Mr Ilyushenko told the Interfax news agency.

# Turn-out high for Ukraine election

By Jill Barshay and Chrystia Freeland in Kiev

Ukrainians turned out in large numbers yesterday for their first post-independence presidential election. Preliminary results are not expected until later today, but most observers expect top contenders, President Leonid Kravchuk and Mr Leonid Kuchma, the former prime minister, to face each other in run-offs on July 10.

Opinion polls on the eve of the elections suggest that Mr Kravchuk has made a near miraculous transformation, from the man who destroyed Ukraine's economy, to the only leader who can guarantee the country's stability. "I know that nothing has changed for the better under Kravchuk, things have got worse," said Mrs Yulia Sokol, a 40-year-old engineer who cast her ballot for the incumbent in central Kiev. The most important thing is to keep the peace.

Manipulating state television with his considerable political skill, Mr Kravchuk in recent weeks seems to have successfully reshaped the national debate. Now, instead of being about repairing the economy, it is about maintaining national independence and stability.

Even Mr Kuchma, who was the clear front-runner until very recently, has been forced on the defensive. As former director of the Soviet Union's largest nuclear missile plant, Mr Kuchma comes from the heart of the old regime and has advocated closer ties with Russia. However, campaigning in central Ukraine on the eve of the elections, Mr Kuchma was forced to tone down his pro-Russian rhetoric.

The need to defend his Ukrainian credentials has diluted his image as a strong man who can impose law and order and revive the Ukrainian economy. The most likely result is that Mr Kravchuk and Mr Kuchma win the bulk of the votes, but neither an outright majority.

# Hungary parties agree coalition

By Nicholas Denton in Budapest

Hungary's new government of former communists and liberals passed its final hurdle yesterday when assemblies of the Socialist party and Alliance of Free Democrats approved a coalition.

In last month's parliamentary elections the Socialists gained an absolute majority of seats. But the Socialists were aware of the concern aroused, both internationally and domestically, by the prospect of one-party rule by former communists, however reformed. The Free Democrats' nominal

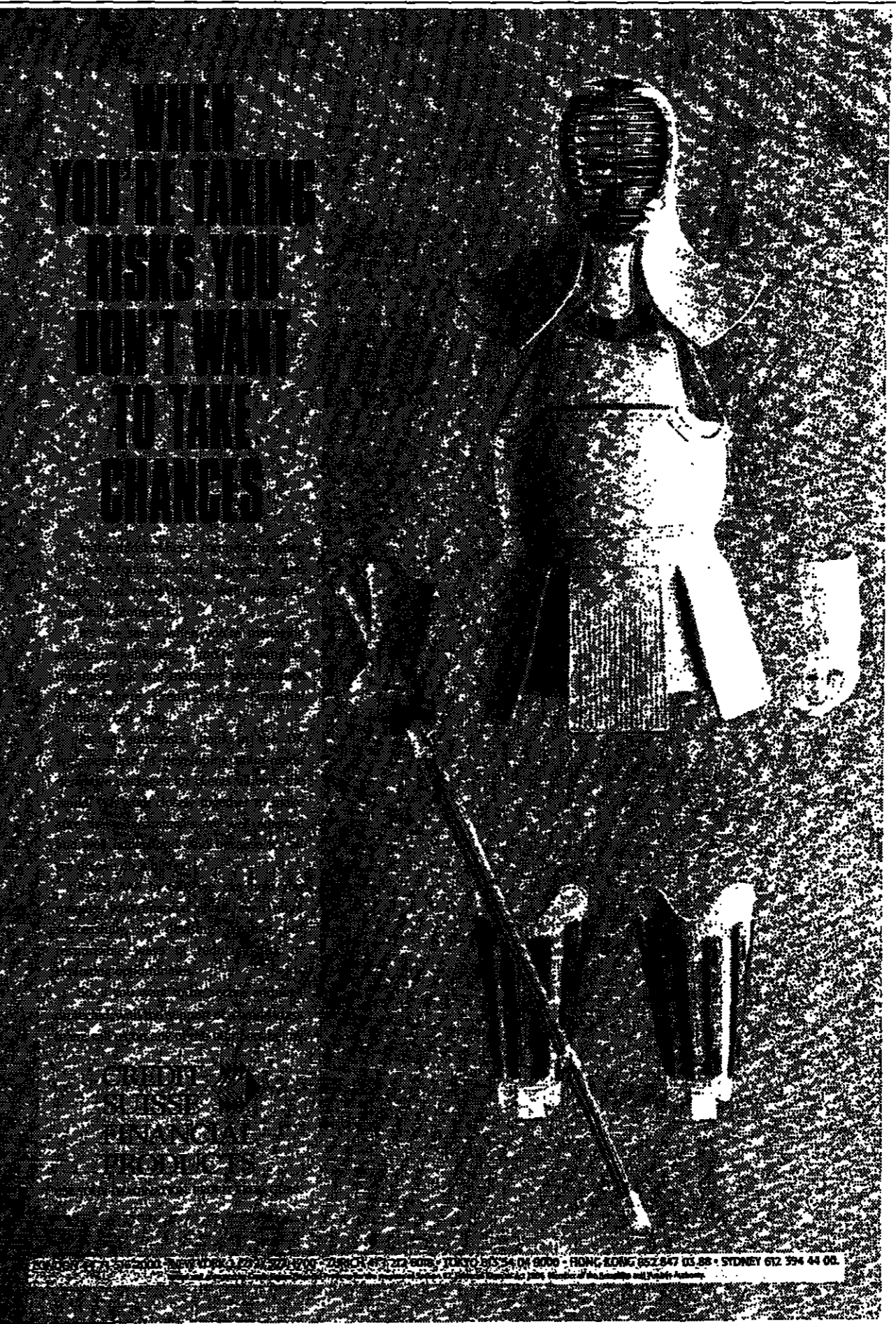
veto right over government decisions acts as a safeguard of sorts that Hungary will stick to its free market and western orientation.

The alliance gives the new government the broad support and legitimacy it needs to implement austerity measures to deal with large budget and current account deficits. The way is now clear for Mr Gyula Horn, 61-year-old leader of the Socialists and former foreign minister, to be sworn in as Hungary's prime minister and to appoint his cabinet in mid-July.

As expected, Mr Laszlo Bekesi, finance

minister in the last communist government, will return to the post. With another Socialist nominated to the Industry and Trade Ministry, the former communists are set to dominate economic policy.

The new government plans to introduce protectionist measures to curb imports. It promises bankruptcy law reform to keep companies alive if it would cost more to close them, and rapid privatisation of banks and utilities. That and the forewarning of energy price increases add to the likelihood that the \$1bn-plus sell-off of the power industry will go ahead soon.



## NEWS: INTERNATIONAL

# Peking to speed up HK port dealings

By Simon Holberton  
in Hong Kong

China has told Britain that it will give urgent attention to proposals made at last week's Sino-British talks for a HK\$10bn (£857m) extension to Hong Kong's container port.

The colony possesses one of the world's busiest container ports, but the construction of the ninth terminal (CT9) has been delayed because of the poor atmosphere surrounding Sino-British relations. The consortium building CT9 has also been engaged in negotiations with the Hong Kong government over the price and terms of land acquisition.

The consortium, which includes the trading houses Jardine Matheson and Hutchison Whampoa, was locked in dispute with the government over who would be responsible for access roads and bridges to CT9. Both sides were trying to get the other to shoulder the cost.

However, company executives said that signs of improvement in Sino-British ties, which have been evident since the spring, encouraged the consortium to reach agreement with the government so that an agreed position could be presented to China for



Patten: taking no chances

approval. Precise details of this agreement are not available but one company executive said details of the land grant had "substantially been agreed".

China's undertaking to deal expeditiously with CT9 might emerge as the only real progress made during the 38th meeting of the Joint Liaison Group (JLG). Its meeting was dramatically suspended on Thursday until today to allow the two sides to reach an agreement on the transfer of military land.

However, it is unclear whether a marathon session of

talks at the weekend narrowed the differences between the two sufficiently. Officials said talks would continue this morning.

A failure to agree will inevitably raise doubts about China's recent overture to Britain to improve relations. But whatever the result of the JLG talks there remains a general expectation that Sino-British ties will improve after the Legislative Council (LegCo) votes this Wednesday on Governor Chris Patten's democracy proposals for the conduct of the colony's 1995 elections.

The vote by members of the 60-strong assembly is expected to be very close. Over the weekend an aide to Mr Patten said the government was certain of 26 votes and was confident of three or four others.

But the governor is taking no chances. He has been actively lobbying LegCo members for support and will do so right up to the vote. Senior members of the Liberal party, a conservative group which wants to water down his proposals, have also been trying to win support.

Mr Patten attacked the Liberals' proposed amendments, suggesting they would lead to elections which could be rigged.

## Tokyo civil servants believe reform will fail to curb their role

# Bureaucrats cling to power

By Gerard Baker in Tokyo

At a meeting with journalists earlier this month, a senior bureaucrat at one of the more influential ministries was asked whether the current political uncertainty in Japan was adversely affecting the execution of policy.

The facial expression of pained bewilderment at the naïveté of the questioner was more eloquent than the answer itself. "The government may change," responded the bureaucrat, "but the policy remains the same."

It was a disarmingly candid admission, even from a Japanese bureaucrat. But in the current crisis, it neatly highlights the largely unchanged distribution of power in the Japanese political system.

The collapse of 38 years of Liberal Democratic party rule last summer was thought by many to herald also the end of civil service power. The new prime minister, Mr Morihiro Hosokawa, pledged to redress

the balance between the bureaucrats and elected politicians. In the years of LDP rule a cosy proximity had built up between the ministers and the functionaries who nominally served them.

With ministers moving rapidly between jobs, often in place as a result of political favours rather than talent or experience, the scope to dominate was considerable for the bureaucrats - a highly educated cadre.

But the end of the LDP hegemony has not brought with it a substantial decline in the bureaucrats' power. Some even argue that it has been enhanced. In the words of one political analyst: "The political crisis has distracted the politicians from the business of governing; the bureaucracy has been left to get on with its own business of running the country."

The Ministry of Finance sits at the pinnacle of the country's power structure. Mr Jiro Saito, the respected vice-minister (the

top civil servant), at the ministry has spent most of the last year fighting for an increase in consumption tax to offset the fiscal effect of the large income tax cuts that take effect this summer.

His attempts to secure the tax increase were rebuffed in February when the socialists (then members of the coalition) resisted it.

But Mr Saito continued the battle, and last week he was reappointed for a rare second year in his post. Few of his colleagues expect the ministry to lose.

But bureaucrats do not enjoy untrammelled power, as Mr Saito's earlier setback suggests, and some analysts believe their role is about to diminish.

Mr Douglas Ostrom, at the Japan Economic Institute, points out: "Bureaucrats disagree with one another and are reluctant to initiate substantial policy shifts on their own - politicians need to do the dirty work of brokering agreements and selling proposals."

And the long-awaited deregulation of Japan's economy will take away many of the bureaucrats' functions. So far, however, there has been little substantive progress in translating the widespread desire for deregulation into action. And only those measures with the bureaucrats' blessing have been enacted.

The political reforms enacted in the last year may yet also bring about a decline in the ministries' power. When an election is held under the new rules the current instability may give way to a government legitimised by a majority, and committed to reform.

But the bureaucrats are, as yet, untroubled. They accept the arguments for political and institutional reform, but they do not believe it will seriously diminish their role. Their justification is simple: the system works. They played a big part in bringing about the Japanese economic miracle and, though tarnished of late, they argue the miracle is still intact.

## Diary of Japan's descent to chaos

By Gerard Baker

The sequence of events by which Japan's politics have been transformed from stability into chaos began in the late 1980s with a series of scandals that caused the splintering of the Liberal Democratic party (LDP) and, ultimately, the end of its 36-year rule.

Following defeat in a no-confidence motion the LDP lost its overall majority in elections last July.

Since then, coalition governments have grappled with the problems of political reform, foreign relations, and the longest recession since the second world war in a climate of almost perpetual crisis.

1993  
11 August - Japan New Party leader Morihiro Hosokawa, committed to political reform, chosen as prime minister at the head of a seven-party coalition, including the socialists.

11 November 14 - Bills aimed at reforming Japan's corrupt political system passed by Lower House of the Diet and sent to Upper House, where they are bogged down in controversies over budget and foreign calls for the opening of Japan's rice market.

1994  
11 January 20 - Reform measures passed by Upper House committee, and sent to full session.

11 January 21 - Full Upper House votes down reforms, watered-down version later passed with LDP backing.

11 February 4 - Hosokawa suddenly announces new, 7 per cent consumption tax to finance proposed income tax cuts designed to lift economy out of recession. Forced to withdraw plan five days later.

11 February 11 - Trade summit with US President Bill Clinton ends in failure after Hosokawa rejects US demands to set numerical targets for opening up Japanese markets.

11 March - LDP blocks tax-cutting budget in attempt to force Hosokawa to clear doubts over a shady 1993 loan he is alleged to have used for a political campaign.

11 April 6 - Hosokawa resigns abruptly to take responsibility for parliamentary deadlock and for questionable management of his personal funds in the 1990s.

11 April 25 - Tsutomu Hata of the Japan Renewal Party elected prime minister with socialist help.

Later that day they leave coalition in protest at what they see as efforts to marginalise them.

11 April 26 - Hata forms Japan's first minority government since 1948.

11 June 23 - With tacit backing of LDP and Socialists, budget is passed. LDP immediately submits no-confidence motion.

11 June 25 - Hata announces resignation of cabinet.

## China opens shipping industry to foreigners

By Tony Walker in Beijing

China is opening its shipping industry to foreign investors and is liberalising access to ports as part of attempts to meet requirements for entry to the General Agreement on Tariffs and Trade.

Mr Huang Zhendong, communication minister, said Chinese partners must hold a majority stake in newly-formed ventures serving local waterways, and senior posts must be held by Chinese.

Conditions for foreign investors seeking partnership in Chinese shipping are similar to those being offered for civil aviation. Beijing announced earlier this month that it would welcome foreign involvement with local airlines.

Mr Huang, quoted by the official China Daily, said foreign companies would be allowed to become involved in cargo-handling at Chinese ports and would also be permitted to operate some inland and coastal shipping routes.

Foreign companies could also set up wholly-owned agencies to canvas cargo, issue documents and negotiate contracts for their ships. However wholly foreign-owned businesses would be excluded from China's domestic waterways.

Foreign shippers and shipping agencies have long complained about China's highly restrictive policies, including barriers to fair access to Chinese ports.

China has also made it very difficult for foreign shippers to secure contracts for mainland-

sourced cargo. This has been the subject of repeated representations by large shipping lines.

Mr Huang promised a "favourable environment" for foreign investors seeking opportunities in the development of China's wharves. But these ventures which are vital to the national economy must have Chinese majority share.

China, which is seeking to become a founder member of the World Trade Organisation when it comes into being next year, will this week step up its efforts to meet Gatt requirements.

The Gatt special working group on China is due to convene in Geneva tomorrow and Chinese officials hope these discussions will help expedite entry negotiations.



Four North Korean soldiers just inside the demarcation zone watch yesterday as a US serviceman (right) talks to his South Korean counterpart ahead of talks between north and south on the nuclear issue tomorrow.

## Pakistan business strikes over budget's tougher tax regime

By Farhan Bokhari  
in Islamabad

A patchy two-day business strike began yesterday in Pakistan with many stores, offices and factories shut down but public transport and most small shops staying open.

The FPCCI (Federation of Pakistan Chambers of Commerce and Industry) - Pakistan's largest business organisation made up of some 120 trade associations and 30 business chambers, called the strike to protest against the budget, announced earlier this month.

Businessmen oppose the government's plans to introduce a general sales tax, new excise duties on an ad valorem basis to be collected by tax officials with the powers to search, and other measures making stringent demands on those who query their tax assessments.

In Karachi, Pakistan's business capital and Lahore, the country's second city, factories and large offices were closed, but small shops ignored the call to strike. The Karachi Stock Exchange, which had announced business as usual, closed for an hour because of the absence of jobs but then officially reopened despite lack of business. The smaller Lahore and Islamabad bourses remained officially open but trade was negligible.

The FPCCI warned it would consider further measures to press its case, later this week. "We will continue our protest... We will not sleep after these two days," said Mr S.M. Muneeb, federation president.

The Pakistani government has taken a tough stand against the FPCCI and Prime Minister Benazir Bhutto suggested over the weekend that the strike was in part politically motivated. Some senior government officials accuse Mr Nawaz Sharif, the former prime minister, to have

encouraged the business reaction. "I appeal to professional businessmen, who have no political affiliations to think of the national interest," said Mr Bhutto. She defended the budget measures and said: "We cannot allow people to live in huge palaces and not pay taxes."

The new measures include a requirement that anyone appealing against their tax assessment deposit 25 per cent of the assessed tax demand

before court proceedings begin. Senior officials justify the move on the grounds that in order to restrain the growing budget deficit, the government must confront the chronic problem of tax collection falling behind target. In the past, taxpayers have been able to appeal against their tax assessment by paying a nominal court fee. As a result, over 50,000 cases are awaiting verdicts and the taxpayers involved owe some Rs10bn (£215m).

Senior officials justify the move on the grounds that in order to restrain the growing budget deficit, the government must confront the chronic problem of tax collection falling behind target. In the past, taxpayers have been able to appeal against their tax assessment by paying a nominal court fee. As a result, over 50,000 cases are awaiting verdicts and the taxpayers involved owe some Rs10bn (£215m).

## Afghans exchange one hell for another

The fighting has created thousands of refugees, writes Stefan Wagstyl

Mr Kutub Khan, his wife and their four small children have spent the last month in a shelter made of sheets in a refugee camp in the sweltering heat of eastern Afghanistan.

Around them are hundreds of other make-shift shelters and thousands of tents. The rocky ground is so hard it takes five men a week to dig a latrine. Nothing thrives in this desert except scorpions; there are no trees, no shade from the sun and no escape from the dust. Children die daily from dysentery and malaria.

"It's very hard to live in the open," says Mr Khan, who cannot find space for his family in a tent. "But we don't see any hope of going back home."

Relief agencies estimate there are about 150,000 refugees in and around the town of Jalalabad. Most have fled the latest outbreak of fighting in Kabul, the capital, which began on January 1. The rest have come from other parts of Afghanistan. As Mr Sotorios Mousouris, the UN secretary general's personal representative for Afghanistan, says: "You can imagine how hellish conditions must be, if people are ready to come to these camps to escape the fighting and to get food."

Hard as life is in the battle zones of Kabul and elsewhere, it could soon get worse. Mr Burhanuddin Rabbani, the president whose wife does not extend much beyond his ruined capital, is due to step

down tomorrow under the terms of a power-sharing accord reached two years ago with rival mujahadeen leaders. But he is refusing to go - to the intense anger of Mr Gulbuddin Hekmatyar, the non-factional prime minister and head of mujahadeen forces trying to

An artillery barrage and air raids swept opponents of Afghan President Burhanuddin Rabbani from their last main position in Kabul yesterday, but the opposition retaliated with bombing strikes on a western city, writes Reuters from Kabul.

Officials and hospitals reported at least 28 dead and more than 210 injured, most of them civilians, in two days of fierce battles in the capital, Kabul, and the western city of Herat.

President Rabbani's fighters launched a relentless artillery and rocket bombardment on bases of ex-communist Gen Abdul Rashid Dostum on Tapae Marjan mountain. Sporadic

wrest Kabul from the control of Mr Rabbani and his military chief, Mr Ahmad Shah Masood. Mr Hekmatyar told journalists in Jalalabad this month that he still wants a peaceful settlement. "But if the other side insists on staying in power that will mean war," Mr Rabbani has said he cannot quit until there is peace and has condemned Mr Hekmatyar as a "warmonger".

Anxious to avoid further destruction, Mr Sotorios Mousouris, the UN secretary general, is trying to bring Afghan leaders together for talks through a mission headed by Mr Mahmood Mestiri, the former Tunisian foreign minister, who visited Afghanistan

last month. But he has yet to find a formula acceptable to the rival warlords and Mr Hekmatyar, for one, views the initiative with deep suspicion. Only five years ago, Afghanistan was the focus of world attention. But after the Soviet invaders marched home in 1989

main issue their bloody battles have been unable to resolve is control of Kabul, a pleasant city of 1.5m which was mostly intact when the Soviets left. Today it is a collection of battered ruins - at least 10,000 of its inhabitants have been killed since 1982, including

artillery fire continued to hit areas still controlled by Dostum and Prime Minister Gulbuddin Hekmatyar's Hezb-e-Islami forces on the southern and eastern outskirts.

Dostum retaliated, and two jets from his bases in northern Afghanistan dropped eight bombs on the centre of Herat, 630 km west of Kabul. "All targets and casualties were civilians," a UN official said.

Rabbani's government decided to launch its assault after reports that Hekmatyar and his allies were preparing a similar offensive in the run-up to the scheduled expiry of Rabbani's term in office tomorrow.

over 2,500 this year. About 500,000 have fled their homes, 300,000 hiding in the city and the rest mostly in the camps around Jalalabad.

The city is being defended in Mr Rabbani's name by Mr Masood, the defence minister, who inherited much of the Communist army's supplies. They are financed principally by shipments of Afghan currency from Russia, where it is still printed - much to the annoyance of Mr Rabbani's enemies.

The chief attacker is Mr Hekmatyar, the leader of the Hezb-e-Islami guerrillas, the favourites of Pakistan and the US in the war against the Soviet forces. Late last year,

Mr Hekmatyar scored a coup by persuading General Rashid Dostum, master of the Uzbek minority in northern Afghanistan and a former ally of President Rabbani, to change sides and bring his troops into the battle for Kabul. But the tactical advantage was eroded earlier this year when Gen Dostum's forces lost control of Kabul airport in fierce fighting with Mr Masood's men.

Outside Kabul, power is largely in the hands of local warlords such as Mr Ismail Khan, an ally of Mr Masood, who has brought a measure of peace to the western oasis of Herat, and Mr Abdul Qadir, governor of Jalalabad in the east, which lies across the main road from Kabul to Pakistan. In the countryside, particularly in the mountains, power is fragmented even further - a few villages can make a man important, as long as he has guns. These men take money from wherever they can, notably from the fast-growing heroin trade.

It is hard to see what can bring an end to this anarchy. With its complex mix of tribal and ethnic groups, Afghanistan has never been a strongly united country and Afghan leaders have often been quick to settle their disputes by fighting. The involvement of the Soviet Union and the US in their wars has added with an enormous arsenal with which to pursue their quarrels at the expense of people like Mr Khan and his family.

**SIEMENS  
NIXDORF**

**Big value notebooks**  
Direct from Europe's biggest manufacturer

**PCD-4NC 51 Colour Notebook**  
• Intel 486 at 33 MHz  
• 3Mb RAM  
• 200 Mb hard disk drive  
• 8.4" TFT colour display  
• MS-DOS 5 Windows based  
• Carry case included  
• 3-year warranty

**£2,999** (incl. VAT)  
**£102.68** per month (3 years)

**PCD-4NE Notebook**  
• 51 enhanced Intel 486 at 33 MHz  
• 4Mb RAM, 120 Mb hard disk drive  
• 9.5" STN colour display  
• MS-DOS 5 Windows based  
• Carry case included  
• 3-year warranty

**£1,299** (incl. VAT)  
**£44.47** per month (3 years)

**£1,799** (incl. VAT)  
**£61.59** per month (3 years)

Don't compromise. Buy direct from Europe's biggest computer company. Design excellence, outstanding service and value for money come as standard.

**How you can afford not to compromise**

To order direct or for more information on this and others in the Siemens Nixdorf range call 0800 400 800 (Mon-Fri, 9am-5pm). Or complete and send this coupon to: PC Sales, Siemens Nixdorf Information Systems Ltd, Siemens House, Oakley, Stroud, Glos. GL8 2JZ or fax 0544 850 517. Delivery charges excluded. Rental is offered subject to status in businesses trading 2 years or more.

Name \_\_\_\_\_ Title \_\_\_\_\_  
Company Address \_\_\_\_\_  
Postcode \_\_\_\_\_  
Telephone \_\_\_\_\_  
Fax \_\_\_\_\_

Being sent to the manufacturer for their consideration. The offer is subject to credit approval.

## Hebron report urges segregation at prayers

**By Julian Oczko in Jerusalem**

The Hutus' welcome is based on a misunderstanding: they regard the French as their allies, not as the neutral humanitarian force they profess to be. Having propped up General Habyarimana's military government for years, the Hutus clearly expect the

The refugee camp at Nyarushishi sits among tea plantations. The makeshift shelters, clinging to the steep slopes like rows of terraced tea bushes.

"When the killings began," says Mr. Claude Bavumashi, who is tall and desperately

would be fair and credible. Even if Mr. Carpio changes his mind, his attempt to resign undermines the fragile unity in the ruling PRI party, and potential for further upset before or after the August election. Mr. Carpio is allied with the reforming wing of the PRI, which has recently lost power in recent months to the hardline faction.

Over the past months Mr. Carpio has threatened to resign several times because of opposition within the PRI to implementation of democratic reforms. Mr. Carpio said in his resignation letter he was "indignant and disillusioned" with the most "divisive sectors" of Mexican politics, "who were not interested in the future of the country, but in the interests of their group without considering what is good for Mexico", indicating his frustration extended to the governing party.

The coast guard believed its list was based on sound information but, if new evidence emerged, it would be willing to adjust its programme, he said. "This has been running for less than two months and we are getting more information and feedback from the industry."

Some companies on the first list had been taken off the second if they had been able to show they were not the owner or manager of the vessel when the infringement occurred.

**A MEMBER OF SE**

# G7 faces hard time to keep the lid on the \$ US court backs property rights

FT reporters look at the likelihood of upsets this week in world currency markets

The Group of Seven leading industrial nations has 11 days to stop the dollar drama turning into a crisis.

As G7 leaders approach their annual summit in Naples at the end of next week, they want to avoid any perception in financial markets they are unable to arrest the fall against the D-Mark and Japanese yen of the world's leading trading currency. But on the evidence of last week the G7 - US, Japan, Germany, France, Italy, Britain and Canada - will have its work cut out.

Heavy intervention on Friday by most of the G7 central banks, backed by central banks in other European countries, failed to lift the dollar from its lacklustre position against other main currencies.

On Friday night in New York the dollar closed at ¥100.525 against the yen and DM1.584 against the D-Mark, below the levels at which the central banks first intervened earlier that day. Since the first week of June, the dollar has



Roger Bootle: bond markets lacking in confidence

slipped about 5 yen - last week briefly passing under ¥100 - and 8 pfennigs.

Many investors believe Friday's efforts to buy dollars led by the US Federal Reserve will have to be repeated early this week, perhaps today, in a further show of strength to prop the ailing currency.

But in both the US and Europe, currency analysts said

negative sentiment toward the dollar had taken root. "I don't think anyone wants to hold a buck right now," said a dealer at a Japanese bank in New York. Mr Stephen Lewis, research director at London Bond Broking, a securities dealer, said: "The dominant mood in the market is that the dollar has further to fall."

Behind these thoughts is that the Fed is judged unwilling to consider a rise in short-term interest rates to defend the dollar. Such a move could jeopardise the US recovery, the main drive behind signs of stronger economic conditions throughout the industrialised world.

Meanwhile, the perception has grown that the Bundesbank is unlikely to continue cutting short-term borrowing rates, because of signs of economic pick-up in Germany.

As a result, many think the gap between short-term interest rates in Germany and the US is about to widen, after months of general narrowing. At present three-month inter-

bank rates in Germany are about 4.9 per cent and in the US about 4.6 per cent - the further they move apart the more incentive investors have to hold D-Marks.

Also holding back the dollar against the yen is the large Japanese current account surplus with the US and lack of progress in trade talks between the two countries.

Mr John Lipsky, chief economist at Salomon Brothers, the US investment bank, said last Friday's intervention had at least succeeded in dispelling doubts about the intention of US authorities and G7 partners to quell currency instability. "It's hardly the last word: there is likely more action to come," Mr Lipsky said.

But the chances of success of further rounds of intervention are open to question. One European monetary official said much Friday's support for the dollar was "pretty much token", coming after years of general lack of concern in the US about dollar weakness.

"Unless the Americans back up intervention with a policy action [an increase in interest rates] the moves won't have much impact," he said.

A further question mark can be raised over the willingness of the Bundesbank to join large-scale operations to boost the dollar. Any action by the German central bank to buy dollars for D-Marks risks an increase in the German money supply, playing havoc with the M3 money-supply calculations the bank uses to judge economic conditions. For this reason there is "general scepticism about the Bundesbank's willingness" to intervene, according to Mr Gerry Holtham, chief European economist at Lehman Brothers.

Nervousness over the dollar is expected to continue to spill over to world bond and equity markets, which were fragile last week on fears about how an increase in US interest rates could endanger signs of global economic recovery.

Mr Roger Bootle, chief economist at Midland Global Markets, said even if US borrowing

rates went up, the same would not necessarily have to happen in Europe. But he added: "In 13 years I have never seen a situation where the bond markets were more lacking in confidence than they are now."

He said pressure on the dollar was exaggerated by many investors' over-enthusiasm for the US currency last year. They had built up large stocks of dollars and were now keen to sell. And he believed that although Japanese institutional investors had cash to invest, many had seen the value of their overseas holdings whittled away by currency shifts and were no longer prepared to buy foreign exchange assets. "The Japanese are the buyers of last resort and if they don't come in [to support currencies] this can cause problems," Mr Bootle said.

Peter Marsh and Peter John in London and Richard Tomkins in New York

By George Graham in Washington

The US Supreme Court has given new weight to the rights of property with a ground-breaking decision to limit local governments' power over private landowners.

In upholding shop-owner Mrs Florence Dolan's lawsuit against the town of Tigard, Oregon, the court ruled that governments must prove that the planning requirements they impose on landowners must not only be related in nature to some legitimate public purpose but that also must be "roughly proportional" in their impact.

Mrs Dolan had challenged Tigard's demand that, in return for permission to double the size of her plumbing and electrical supply store, she set aside roughly 10 per cent of her property to building a storm drainage system and a bicycle path.

The 5-4 vote revealed one of the principal fault lines

between the court's right and left wings, and greatly increases the importance the justices attach to the "takings clause" of the constitution, which prohibits the taking of private property for public use without just compensation.

"We see no reason why the Takings Clause of the Fifth Amendment, as much a part of the Bill of Rights as the First Amendment or Fourth Amendment, should be relegated to the status of a poor relation," wrote Chief Justice William Rehnquist in the majority opinion.

The First Amendment's right to freedom of religion, speech and association and the Fourth's right to be secure from unreasonable searches and seizures have generally ranked higher in the court's priorities.

Justice John Paul Stevens, writing in dissent, said the court's right-wing majority had broken "considerable and unpropitious new ground".

## WORLD CUP

### Still hot, but with dull patches

Jurek Martin in Washington forecasts some tighter games



The World Cup is now 10 days old, and still it beguiles so much that it is only right and proper to make the case that it is far too good to last.

The beginning of the downhill slide appeared to have come last Thursday night when, after 16 matches, a goal-less draw finally took place. The fact that it was between South Korea and Bolivia, loved only by their mothers, and that there has not been one since, might seem to suggest an aberration, but there are other bits and pieces of evidence, m'lud.

The earlier game that day - Italy vs Norway - was pretty dour stuff, too, obscured by the fact that the Azzurri eked out a 1-0 win while playing three-quarters of the game with only 10 men and without Roberto Baggio, withdrawn from the field in either the bravest or dumbest coaching decision of the World Cup. Norway's lack of imagination was conspicuous.

A day later, Mexico (two) and Ireland (one) managed to double the goals (three) previously scored in Group E. But, allowing for the unquenchable enthusiasm of Irish and Mexican fans in the Florida heat, there was simply not enough in the match to dissuade the neutral observer from going for a beer or checking out Wimbledon on the cable channel. (Brazil, on present form, would never drive anyone to drink - except Champagne.)

The battle of the European flatlands - Belgium vs Holland - on Saturday only produced one goal. As such games go it was pretty good, but you could sense that the two sides would probably have settled for neutralising each other if they had not been neighbours in competition for the next presidency of the European Union.

The first-round matches, when one loss does not necessarily mean elimination, have enabled some sides, especially those with everything to gain by holding nothing back, to play out of their socks. The prime example has been Switzerland, with a World Cup history as memorable as its national political system (favourite trivia question: name any Swiss politician). But several other teams, including the US and Saudi Arabia, have exceeded all reasonable expectations.

As the tournament progresses,



Shin Hong Gi of South Korea (left) and Bolivia's Erwin Sanchez tangle during the first goalless draw

however, playing to entertain may take second place to playing not to lose or to win by the necessary minimum, especially if the heat does not abate. Germany have already done this twice while Argentina, looking better all the time, came out for the second half against Nigeria determined mostly to sit on a one-goal lead.

Admittedly, the number of red and yellow cards handed out so far - an average of 2.8 per game for a mere felony, plus seven capital offences, and almost all to defenders - ought to give offensive teams an edge, which was doubtless the intention of Fifa, soccer's governing body, in its instructions to referees.

But most of the 22-man squads are loaded with interchangeable midfield and defensive parts, which is why Baggio was considered expendable when his team fell a man short.

Nor has the World Cup yet produced great contrasts in styles. Most teams now play a similar sort of game, chasing everything, mixing long and short balls, trying to get out wide for the cross, bringing up tall defenders for corners and free kicks. Even Brazil's methodology conforms to type, though they play it better, while Nigeria's variation is only that, when allowed,

they counter-attack at warp speed. Virtually no tactical innovation has been unveiled here. Even Maradona's dead-ball artistry, especially with the quickly-taken free kick, has been seen before, though perhaps not in Greece or Nigeria.

This may mean that, as the competition gets tighter and as teams lose the capacity to surprise that comes with unfamiliarity, conservatism will prevail. And that implies duller matches.

After all, at this level, soccer is a game played by professionals who are not in the business of being embarrassed or outwitted. The same applies to US sports. Baseball regularly introduces young phenoms who start out blasting home runs or striking out batters by the dozens.

But the old pros sooner or later sort most of them out, discovering their weaknesses: that they cannot hit breaking balls or that they fall into a predictable pitch pattern. There are enough good soccer brains around to apply similar lessons, as the Swiss did to George Hagi of Romania, for example, simply denying him the ball in forward positions in the second half.

Exceptional performers can rise above all this, and it may help if a player or three imposes himself on the tournament - as Moore and

Charlton, Pelé, Beckenbauer and Maradona have in the past. Romario, Bebeto, Dunga, Rai and Leonardo have all shown this ability to transcend but unfortunately, for all except Brazilians, they play for the same team.

Even the poor Russians solved most of the problems posed by Romario by clutching his shorts, shirt, neck and ankles and assuming the wall would be enough to block the subsequent free kick. It may not have been edifying but only twice, when Romario escaped to score himself and when he was fouled inside the penalty area, did the tactic fail.

So, unpopular as the proposition may be, m'lud, it could be that the World Cup has passed its high-water mark. The US team might not progress much further, thus diminishing domestic interest, as might not the Irish, thus lessening brewers' interest. The fans could start getting antsy, too, as they did in Los Angeles after Mexico-Ireland (luckily the game was played in Florida).

And here is an heretical thought: the World Cup has been great so far in mostly awful hot weather, but relatively cooler fronts are rolling in. What if it turns out that soccer is only played at its best in extreme heat? The prosecution rests.

### Charlton in stands spells a day's peace and quiet

Ireland manager Jack Charlton - barred from the touchline for tomorrow's make-or-break World Cup Group E match against Norway - has battled officialdom for most of his career, but has always had a reputation for fairness.

Fifa, soccer's governing body, was becoming more and more irritated by his whingeing and his behaviour at the World Cup. Result: banishment from tomorrow's game - Charlton is free to watch it from the stands - for shouting at officials.

He was also fined 20,000 Swiss francs (nearly £10,000) as was the Irish FA. Ireland player John Aldridge was fined 2,500 Swiss francs for what Fifa called "ill-mannered behaviour" during last Friday's 2-1 defeat by Mexico in Orlando.

Ireland's fans will worry about the effects on their team. Non-Irish fans are hoping for a day's peace and quiet.

### S American giants on target for final

Brazil and Argentina have never met in a World Cup final, but their form indicates that they may be on course for a meeting in Pasadena on July 17.

Both won their first two games convincingly. If they continue to win, they will avoid each other during the three knock-out stages that stand between first-round qualifiers and the final.

Diego Maradona, Argentina's born-again star, is producing his best form since guiding Argentina to World Cup victory eight years ago. Argentina meet Bulgaria in their final Group D game on Thursday.

Tomorrow, Brazil - who have already thrumped Russia (2-0) and Cameroon (3-0) - play Sweden in Group B.

### Germany may miss key defender

German defender Thomas Strunz has been hurt again and may miss today's Group C game against South Korea. Strunz hurt his right hamstring again during a night workout, before the Germans left Chicago for Dallas.

"This is a setback. If Strunz can't play, I have to rethink everything again," said German coach Berti Vogts. Germany, the holders, have four points and look certain to qualify for the second round.

In Dallas, the Germans practised at the Southern Methodist University field in stalling heat. "They have to move; they are top-fit and the heat can't be an excuse," said Vogts, recalling that Germany's opening game against Bolivia (1-0) was played in similar conditions.

Strunz missed the Bolivia match but returned for the game against Spain (1-1) and is a key player on the right.

Vogts was angry with his team after the match against Spain, and tensions have been high. "We have to prepare our mid-field better. We want to beat the Koreans. We want to win Group C because we want to stay in Chicago for our second-round match," he said.

Korea still have a chance of reaching the second round. Defender Kim Pan Kwon and mid-fielder Lee Young Jin, injured in last Thursday's draw against Bolivia, have recovered.

In today's other match - also Group C - Spain play Bolivia in Chicago.

### Nigeria coach ponders defeat

Nigeria's coach, Clemens Westerhof, didn't mess about when discussing his side's 3-1 defeat by Argentina on Saturday. "I congratulate Argentina on scoring two goals while my players were busy talking with the referee," he said. What did he think of Maradona? "I thought he played well at first. But later he became tired and complained like a baby."

### Police facing crutch dilemma

Security precautions have been intense at each of the nine World Cup venues.

### Remaining first-round schedule

Date	Group	Venue	Time	Match
Today	C	Chicago	8.00pm	Bolivia vs Spain
	C	Dallas	9.00pm	Germany vs S. Korea
Tomorrow	E	New Jersey	5.30pm	Ireland vs Norway
	E	Washington	5.30pm	Italy vs Mexico
	S	San Francisco	9.00pm	Russia vs Cameroon
	B	Detroit	9.00pm	Brazil vs Sweden
Wed 29/6	F	Orlando	5.30pm	Morocco vs Holland
	F	Washington	5.30pm	Belgium vs S. Arabia
Thurs 30/6	D	Boston	12.30am	Greece vs Nigeria
	D	Dallas	12.30am	Argentina vs Bulgaria

\*British Summer Time

The top two sides from each group, plus the next four best performers, contest the second stage, July 2-5. The quarter-finals will be played on the weekend of July 9-10, in Boston, Dallas, New Jersey and San Francisco; the semi-finals on Wednesday, July 13 (New Jersey and Los Angeles); and the final on Sunday, July 17 (Los Angeles).

The logistical system designed by EDS for World Cup USA94 automatically organises, second by second, the player accommodation, their internal flights and transport to every stadium they play at. If we do it any more, we'll be scoring big goals for them.

The technology services behind World Cup USA94

For further information call Bill Wright on (443) 81 754 4318.

**EDS**

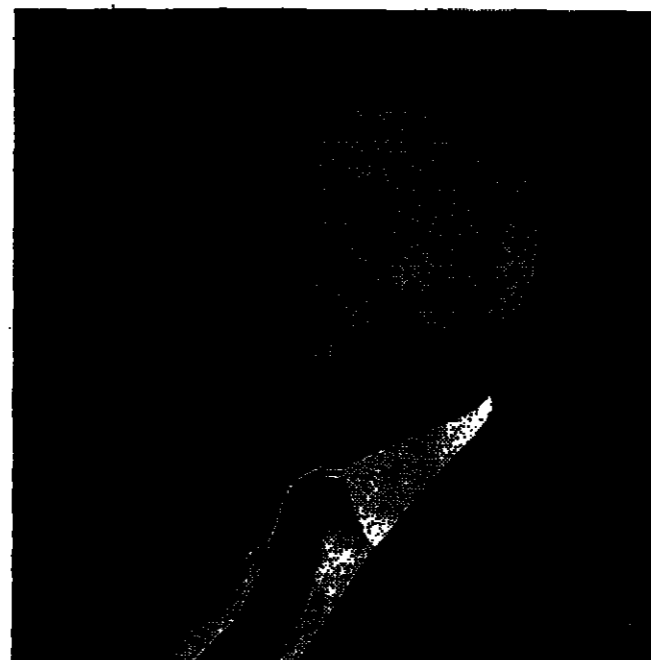
Unfortunately, the talent that can score a goal in the World Cup doesn't always stretch to finding the stadium.

# Global Perspective Provides Competitive Edge

Japanese companies are trying to adjust to the "borderless age" in which the lines of demarcation among long-established political and economic structures worldwide have blurred.

While some companies greet the new age with trepidation, Toshiba Corporation views the greater globalisation of its business as the key to enhancing its competitiveness and raising efficiency. Toshiba President Fumio Sato explains why he welcomes the dawn of the "borderless" era.

by Russell McCulloch



Mr. Fumio Sato, President and Chief Executive Officer, Toshiba Corporation

**McCulloch:** Internationalisation is widely viewed as offering solutions to many of the problems facing Japanese companies, such as rising trade friction and the yen's strong appreciation against the US dollar. What is Toshiba's view on this?

**Sato:** In Japan internationalisation—the globalisation of business—was originally thought of as just the scale of overseas operations: the number of bases, the level of sales and production output. It was also export-oriented and coordinated from the centre, from Japan. By these criteria, Toshiba is very much a global organisation. We have more than 80 business bases around the world; our 30 overseas production bases last year generated output worth ¥400 billion, and during the same period we recorded overseas sales of ¥1.4 trillion.

## 1993 Overseas Sales Worth ¥1.4 trillion

However, we do not think this kind of approach to globalisation is sufficient, nor do we believe it can continue in its present form. It doesn't help us to deal with lower levels of competitiveness triggered by the yen's appreciation or the stronger competition we meet from foreign products in our domestic market.

We see our operations as forming more of a network linking equals, with Tokyo as an important centre, but not the only one. We expect an erosion of the borders between Japan and overseas and see truly global operations as borderless.



Toshiba Systems (France) S.A.'s new factory, built last year, makes toner (powdered ink) for copiers made in the adjacent plant.

**McCulloch:** What do you see are the advantages to Toshiba of this borderless approach?

**Sato:** Transcending borders in its global organisation will give Toshiba greater flexibility in all aspects of our operations. We will be able to respond more promptly to political and economic changes, and deal more effectively with such problems as currency appreciation and trade imbalances.

## Speed and Competitive Power

**McCulloch:** How are you going to realise this borderless style of operations? Is there any key to getting there?

**Sato:** If there is a key, it's a familiar one: companies must offer competitively priced products that meet market demands, and do so in a speedy fashion. That sounds easy, but there's an array of problems to be solved before these goals can be achieved globally.

Look at the problems facing export-oriented companies. It's becoming increasingly difficult to export competitive, everyday products from Japan. The strength of the currency works against it. We need to be able to procure less expensive materials as we need them. On top of this, we have to make our inventory systems highly responsive, keeping inventory at as low a level as possible. We have to be sensitive to market needs, and able to



Toshiba Europe (L.E.) GmbH manufactures personal computers for the European market in Regensburg, Bavaria.

develop leading-edge products quickly. It's a tall order, and the key to achieving these goals is logistics.

**McCulloch:** What exactly do you mean by logistics?

**Sato:** At Toshiba, it has a double meaning. First there is logistics as an innovation in management. This establishes a common system that closely links and encourages collaboration among our production, sales and technology-development operations. What we want here is a system that lets us respond quickly and precisely to the market. In this way, to take one example, people developing technology get input on needs from sales people. The ultimate goal is to reduce the time taken for development, production and sales, and to cut down on inventory.

Logistics, used in an international context, also explains our system for optimising global production and diversifying procurement. The ultimate goal here is to boost competitive power.

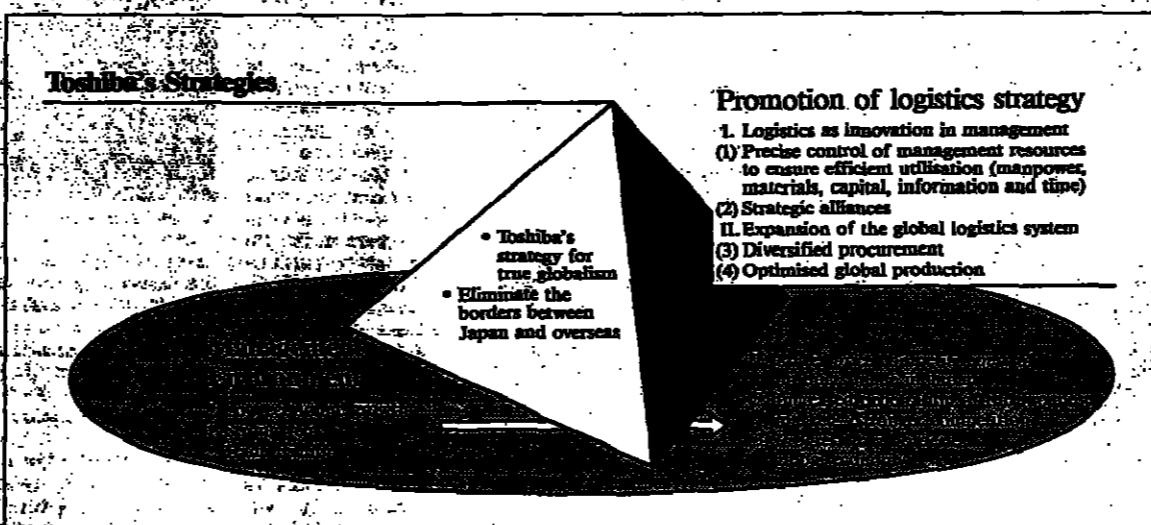
## Logistics Seen as Key

**McCulloch:** What strategies are you following to achieve these goals?

**Sato:** In the first sense, as a management system, we aim for precise control over the resources that management has at its disposal and to promote strategic alliances with other companies. Secondly, in our international operations, we are targeting diversification of procurement and an optimised system of global production.

**McCulloch:** If I understand correctly, that's four clear themes: resources control, strategic alliances, diversified procurement and optimised production. Can we look at each in more detail?

**Sato:** Certainly.



In Touch with Tomorrow  
**TOSHIBA**

way to do that is by building up trust and working together in design-in and similar projects.

## Competition, Cooperation and Complementarity

Until recently, many companies saw tie-ups with competitors as incompatible with seeking to win in the market. But we believe that strategic alliances with competitors enable us—and our partners—to respond to rapidly changing markets. Our basic approach to alliances is to always keep in mind the three "Cs" that underpin successful relations: Competition, Cooperation and Complementarity.

**McCulloch:** What exactly do you mean by diversification of procurement?

**Sato:** The strong yen is encouraging more foreign corporations to enter the Japanese market, while at the same time it erodes the competitive strength of products and components made in Japan. One solution to this lies in more diversified procurement: bolstering international procurement and increasing imports to Japan, and promoting greater local procurement at overseas production bases. We are raising local content ratios and expanding imports. We have also set up international procurement offices, which we call IPOs, in nine locations around the world, including London. Through adopting these measures—increased imports to Japan, including imports of semiconductors, and greater local procurement by local subsidiaries—we are striving to become more competitive.



In addition to colour television sets, Toshiba Consumer Products (U.K.) Ltd. began manufacturing commercial-use air conditioners in 1991.

**McCulloch:** Turning now to the final theme, could you expand on what you mean by optimal production?

**Sato:** In the global network we are aiming for, business must develop along both global and local lines. Some products are becoming increasingly international in nature. Products like electronic components, which are built to international standards with only very limited local variation, should be manufactured for the world market at whichever place best ensures our international competitiveness.

But then there are products that meet specific local needs and demands. Household appliances are designed for very localised needs and markets, and need to be developed, manufactured and sold within that market. Toshiba embarked on production of commercial-use air conditioners in the U.K. in 1991, in addition to colour television sets, in order to provide products suiting the European lifestyle.

This selection of production sites which best match the character of the product, along with diversification of procurement, is the foundation for a global logistics network.

At Toshiba, implementation of these policies has improved our responsiveness and competitiveness. As the borderless economy develops, we will continue our efforts to develop a logistics strategy that promotes further growth.

## EUROPE'S MOST RESPECTED COMPANIES



Europe's business leaders choose the competitors they most respect, in a survey by the Financial Times and Price Waterhouse. This two page special report reveals the top 25 companies, from six countries and 17 sectors. The survey throws up some intriguing themes. Europe's top business people are increasingly prepared to look across borders in search of competitors to emulate – and rivals to fear. But national business cultures still vary in the emphasis they place on different qualities. German companies place more emphasis on training, for example, British companies on market leadership and France on keeping staff happy. Overall, the survey offers, perhaps, the first clear snapshot of the Europe's new business pecking order. And the winners are...

## Customer loyalty and clear policy top agenda

By Paul Taylor and Peter Martin

Europe's most respected companies include a retailer which has stuck to its core business and an international engineering group largely created over the past six years.

Marks and Spencer, the high street retailer, almost a national institution in Britain, and ABB, the Swiss multinational industrial group, emerged as clear winners when top executives were asked to identify their most respected European companies, regardless of sector.

Both companies won the prize of their peers, in particular for their leadership and management qualities. ABB's supporters highlighted the group's strategy, while Marks and Spencer's customer focus attracted much support.

M&S received particularly strong backing from UK-based respondents, while ABB won more broad-based support from executives across Europe. Both companies obtained the most votes from companies in their respective sectors.

The survey asked senior executives in each sector – chairmen, chief executives and finance directors – to identify their most respected competitors on seven dimensions of excellence: customer focus, staff, products and services, business performance, leadership and management, strategy, and environmental issues.

Respondents were invited to identify the qualities behind these judgments and to nominate the European company they most respected overall.

Because this is the first year of the survey, year-on-year comparisons are not possible. In addition, response rates in some sectors, for example steel, property and entertainment sectors, were low and have been excluded from the sector results.

The questionnaire was sent to 637 companies, achieving a response rate of around 30 per

cent, relatively high for a postal survey. There was a slightly higher response from the UK. Since the results are based on the views of those executives who did respond, they are impressionistic rather than scientific.

Nevertheless the results, which span 17 different sectors and nine countries across Europe, provide a unique snapshot of senior management attitudes and current thinking, providing some important insights into which qualities Europe's business leaders most admire.

In particular the results highlight the willingness of

Only one of the top rated companies – Richard Branson's UK-based Virgin, – is not a quoted company

many senior executives to vote for companies outside their countries.

Italian and French executives tended to vote for international companies, suggesting a more pan-European focus. British and German executives were more inclined to vote for their domestic counterparts.

A wide range of companies qualified for accolades. The overall top 25 companies irrespective of sector, include world-class competitors from most industry sectors and eight nations.

Nine of the top 25 are based in Britain, four each are French and German, three are Swiss, two are Belgian and two of the top five, Royal Dutch/Shell and Unilever, are Anglo-Dutch.

Only one of the top rated companies – Virgin, the UK-based airline and entertainment group run by Mr Richard Branson – is not a quoted company. Another, L'Oréal, the world's largest cosmetics group, is quoted but majority controlled by Mrs Liliane Bett

encourt, daughter of the group's founder, how. Some, like British Telecom, the UK-based global telecommunications group, have made the transition from government ownership to the private sector quite recently.

Forty per cent of the top 25, including three financial stalwarts – Deutsche Bank, Union Bank of Switzerland and Zurich Insurance – are in service sectors, but the top 25 also includes heavyweight industrial players such as Rolls-Royce, Bayerische Motoren Werke, GEC and Siemens. Significantly most of the top 25 companies also headed the lists for executives' most respected companies in their own sectors, often by a large margin.

For example, Royal Dutch/Shell, Unilever and Roche were all clear winners in their respective sectors.

There were, however, surprises. For example, Reuters topped the media sector by a large margin, but did not appear in the top 25. Neither did Philipp Holzmann, which won the construction, home-building and building material group, or Muenchener Ruckversicherungs Gesellschaft which led the insurance sector.

In general, respondents indicated the winning companies showed a commitment to their shareholders, customers, and employees.

The most frequently cited qualities across all sectors were consistent growth and long-term profitability, clear business objectives and high customer loyalty.

At the other end of the scale, demonstrations of commitment to equal opportunities, progressive qualities regarding childcare and taking a strong position on social issues earned little praise. Perhaps more surprisingly investing heavily in research and development also came low down the scale of respected qualities.

Some cited characteristics stand out at country level. Customer loyalty was the most valued quality in the UK, but came lower down the scale of priorities for respondents from

the other large European countries. Growth and profitability was the most important attribute for respondents from Germany and France, and ranked second in the UK and Italy, but came eleventh in Spain.

A satisfied staff was rated the most important in the Netherlands and was high on most other country lists. But it was not regarded as being particularly important in either the UK or Italy.

Training and development was rated as the third most important quality in Germany, but was only tenth for UK respondents. Providing staff with the resources to deliver high quality services and products was the top attribute in Italy, and fourth in the UK, but was less important in France and Germany.

At sector level it was harder to draw firm conclusions. Nevertheless the survey produced some surprising and some predictable results.

For example, it was predictable that customer loyalty was the most highly valued attribute in the retail sector and came first or second in construction, engineering and food processing industries. Customer service ranked as the most important or second most important attribute in the banking, chemicals, electronics and telecommunications.

However, although research and development was rated the joint top attribute in pharmaceuticals it hardly received a mention in other sectors. The use of technology was the number one attribute for the media sector and ranked number three for telecommunications, but was lower ranked in other industries.

More predictably pollution reduction was judged to be the most important factor for companies in the construction, electricity and water, and oil and gas sectors.

Significantly in those sectors which are undergoing substantial regulatory change or technological development – for example electricity, water, and telecommunications – adapting to the needs of the 1990s was the top rated quality.

Glen Peters on the key messages

## Value added policies bring big benefits

The theme which unites the winning companies in our survey and earns them the respect of their European peers is a commitment to their shareholders, customers and employees.

The message which emerges is clear – if you can enhance value for each of these "stakeholders" groups you will earn a prize. But if you can use the principle of value enhancement to drive all your operational, investment, and financial decisions then you will earn the glittering prize.

Enhancing value for its stakeholders is one principle that drives M&S. "Value for money" is delivered to the customer by a business strategy that creates the greatest cash value for the shareholder. The recent "outstanding value" sales campaign exemplifies M&S's ability to meet the needs of both customers and shareholders: it raised turnover by 10 per cent, year-on-year, without an apparent reduction in margins.

Higher returns, lower risk and more rapid growth are used by Percy Barnevik and his team at ABB to create value for their stakeholders. Shareholders benefit from a continuous push into growth markets, a focus on reducing fixed costs and reductions in net debt.

Customers receive an unusually high level of customer service, and employees benefit from the devotion of responsibility which is a hallmark of Barnevik's strategy.

M&S and ABB have distinctive leadership and management styles which receive much praise from their peers. Their success highlights the message that delivering value to stakeholders is intrinsically linked to sound management.

In ABB's case, this is a decisive vote for the company's "matrix" management structure, which allows Barnevik to manage a business with 200,000 employees from a head office of only 150 people. Top management must not only allocate resources and resolve conflicts, but also create a common purpose, challenge the status quo and stimulate corporate renewal.

Elsewhere in the rankings, information technology has propelled Reuters into the "most admired" category.

Some 90 per cent of the group's revenue now comes from financial information and transaction products. Reuters' dominant position in the dealing rooms of the world's financial centres has been gained through aggressive acquisitions, strong market positioning, advanced products and buoyant cash generation. It is a recipe for gaining and retain-

ing the commitment of the company's stakeholders.

Shell's positive attitude to its stakeholders has also received strong endorsement in the survey. The company's position is strengthened by strict debt control and commitment to targets of 14 per cent return on capital employed and 12 per cent return on investment.

British Airways' customer service record helped make it the overall winner in the transport sector. BA is also committed to its employees; mechanisms such as regular employee surveys give staff a say in how the business is run.

At Unilever, co-chairman Sir Michael Perry says shareholder value is high on his list of priorities. The group's strategy – attacking the cost base, focusing corporate resources more tightly, and innovating in brands – earns it strong endorsement from its peers in the food and drinks sector.

Brands are also essential to BMW, which tops the automotive sector. Its brand image of high quality and high performance is a symbol of its commitment to its customers. Brand strategy will be the key to its relationship with newly-acquired Rover – the two brands will be kept distinct and will be developed independently.

BMW may be a better-known brand, but Siemens is German industry's bellwether. Many of its divisions operate in depressed markets, and the growth rate of its highest market, telecoms, will slacken as the initial stages of wiring up East Germany are completed. But the company has retained the admiration of its competitors in the electronics sector.

In the banking sector Deutsche Bank is most respected by its peers for its overall business performance and market leadership. With over half its shareholders outside Germany, and with strong local subsidiaries in Spain, the UK and Italy, Deutsche Bank must successfully address the interests of a wide spread group of European stakeholders.

The message of the survey is that the most successful top managers now judge their business decisions by the value that they create, and that they are judged in turn by their stakeholders.

For those who wish to join the select ranks of Europe's most respected companies, the message is equally clear: to aspire to this list, you must identify the key factors that add value to your business, and make them work for you.

Glen Peters is a partner with Price Waterhouse Management Consultants, where he heads the market and customer management division.

Peter Martin outlines how the survey was conducted

## 637 companies judge their competitors

The survey was conducted by selecting the largest companies in Europe. To do this, we started with the FT 500 list of Europe's 500 largest publicly quoted companies (measured by market capitalisation), then searched other databases to add large privately-owned and state-owned companies.

To ensure that the exercise was a true pan-European survey, we compared each country's number of companies with its share of European gdp. Where countries were under-represented, we searched out and added more companies.

The final list – 637 companies – strikes a balance between representing countries fairly and ensuring that all participants are large, well-known companies.

The companies were then divided into industry sectors, starting with the classification used for the FT 500, but amending it to amalgamate some of the smaller sectors. The aim was to produce sectors in which all the members would see each other as competitors. In most, though not all, cases this aim was achieved.

Some companies are significant players in a number of fields – this was found particularly in the chemicals and pharmaceuticals sectors. In this first year of the survey, it proved too complex a task to include companies in more

than one sector, although a small number of exceptions were made – in the chemicals, pharmaceuticals and household products, where some duplicate listings were allowed.

Once the sectors were chosen, we wrote to the chairman, chief executive and finance director of each company, asking them to name their most respected competitors from the list we provided of companies in their sector. The letters and accompanying questionnaires were in the main European languages.

The questionnaires asked executives to vote for their best (and, if they wished, the second-best) company/competitor from the list, judged on seven factors of excellence: customer focus, people, products and services, business performance, leadership and management, strategy, and environmental issues.

We encouraged them to indicate the qualities which contributed to these judgments. We also asked them to nominate the European company they most respected, regardless of industry sector.

To improve response, we followed up with reminder letters and phone calls. At the end of the exercise, we were confident that the letters had reached the appropriate people, and that where no reply had been received it was because it was not company

policy to reply, or because, as one executive put it "I don't know enough about my competitors to answer".

Once answers had been received, we entered them into a database and carried out a number of analyses, of which some of the results are shown on these pages. A few industry sectors produced relatively poor responses, and were omitted from the detailed analyses.

The selection of the two winning companies was based on their clear lead over their rivals in the overall voting, within their sectors, and on each of the seven dimensions of excellence.

Though both companies won votes from outside their home countries, Marks and Spencer had particularly strong support in the UK. ABB attracted a diverse spread of voters.

As the table shows, most of the top 25 companies were able to draw on substantial cross-border support.

The top 25 companies, almost all of them household names, are drawn from nearly every country in western Europe, and represent a wide range of industry, management styles, and approaches to business.

**SURVEY TEAM**  
Price Waterhouse: Simon Whicker, Brian Martin, Robert Sandry  
Financial Times: Paul Taylor, Peter Martin, Angela Bleasdale, Alan Wright

People, property and product have proved their worth over the decades for the British retailer

## Three-P principles pull M&S through

Marks and Spencer's chairman Sir Richard Greenbury does not have much time for modern management gurus. He is more likely to turn for inspiration in running his company to one of his heroes, former US president Harry S Truman.

Part of the reason could be that Truman was a man after the spirited M&S chairman's own heart: "He was feisty. He said what he thought."

Perhaps more importantly, Sir Richard regards a passage in Truman's memoirs summarising his thoughts on running large organisations as one of the best management texts ever written. Truman, like Sir Richard, thought management was largely a matter of good sense. Running a country was little different from running any large body.

Marks and Spencer has had a century to shape its philosophy and style. It has stayed close to its founders' principles.

The company grew out of market stall in Leeds, northern England, set up in 1884 by a Polish-Jewish immigrant, Michael Marks. Ten years later Marks moved to Manchester and went into partnership with a Yorkshireman, Tom Spencer. They founded a string of Marks and Spencer's "penny bazaars", with the slogan: "Don't ask the price, it's a penny."

From market stalls to shopping arcade stores, the business evolved into a chain of department stores and later into the familiar format offering clothing and food.

The business was driven forward by a partnership between

Michael Marks' son Simon and Israel Sieff in 1915. They ran the company as a chain of stores until the 1960s and laid the foundations underpinning today's success.

One was a policy of acquiring freehold and long leasehold properties. Another was cutting out wholesalers and middlemen to buy goods in bulk direct from manufacturers. A third was an emphasis on quality and innovation.

As Simon Marks said in 1936: "Efficient distribution is not a static conception. It involves constant alertness and study of the changing habits, desires and tastes of the consumer." He might have had difficulty grasping the scale of the company today. It has 354 stores, 72 of them in seven countries outside the UK, as well as owning Brooks Brothers in the US and Japan, Kings supermarkets in the US, and the D'Almeida's chain in Canada. It also has 76 franchise stores in 18 countries. M&S employs 62,000 people, and made profits last year of £861m on sales of £6.54bn.

The guiding philosophy has changed little from Marks' time. Sir Richard sums this up as "giving customers the best value for money – that is the price paid in relation to the [quality of] the good – and the best service."

Sir Richard acknowledges his debt to his predecessors. He summarises the strengths of Marks and Spencer as "the three Ps" – people, property and product.

M&S has a reputation for taking on young people, training them, and keeping them. Sir Richard joined at 16 and



Sir Richard Greenbury: little time for management gurus

many of its senior executives are career-long employees. Staff are wrapped into a corporate welfare and benefits system which includes competitive pay, and a non-contributory pension scheme which costs the company £50m a year.

Sir Richard says M&S promotes young talent and attempts to nurture "mavericks and entrepreneurs".

One of the company's most valuable legacies is a property portfolio of which 98 per cent is freehold or long leasehold – a great asset when many retailers are struggling to pay rent.

The policy of buying freeholds continues today. "Buy a prime freehold site and get the business right," says Sir Richard. "If you don't get it right, it's still a prime freehold site, and you can sell

it and kiss it goodbye."

The third "P" – product quality – is inextricably linked to Marks and Spencer's relationship with its suppliers, regarded by many as the most important feature setting it apart from its rivals.

M&S was one of the first retailers, in 1935, to set up its own quality-control and research laboratories. It specifies stringent standards to its suppliers, many of which it has been dealing with for decades. At the same time, by buying early in large quantities, it can get very good prices. M&S has a reputation for being a tough negotiator, Sir Richard says it is hard, but fair.

Fairness, he adds, is another guiding principle. "If I was asked the two qualities that mean most to me, I would say integrity and fair dealing were

number one. Number two is courage, not physical courage, but courage to make decisions and get on with things."

The company's reputation for integrity – exemplified by its policy of paying suppliers within 30 days and food suppliers within 10 days – is one of the factors that has enabled it to expand into other areas such as financial services.

As for courage to get on with things, M&S is planning a £1bn investment programme over the next three years to increase its UK floorspace and expand its overseas operations. Its main targets are France and Spain, south-east Asia where pilot stores have proved successful and, eventually, Japan and China.

The pace of expansion will, however, be measured and will be through organic growth and franchising, not through acquisition. Marks and Spencer has had less than happy experiences with acquisitions. Its acquisition of Brooks Bros in the US and Japan is regarded as a rare mistake. Many retail analysts believe M&S paid too much (£750m) for a business which is yet to match the performance of the rest of the group.

As the business expands, Sir Richard says another principle will guide his strategy. "It is a principle he illustrated by reference to another of his passions, football. 'I used to love the Brazilians, and I still love my own team Manchester United, because they have a belief that winning is very, very important...but if you win with a bit of style, it helps.'"

Neil Buckley



Peter Martin on national views

## Different keys to Eurovision theme songs

What are the corporate qualities that Europe's business leaders most admire? The Financial Times/Price Waterhouse survey asked top managers to name the companies they most respected on seven factors of business performance, and to list the qualities that contributed to this excellence.

Their responses give a unique snapshot of the qualities important to business success in the 1990s. Each category has its own surprises.

Companies best show they are focused upon their customers for example, by demonstrating that their customers are loyal. At least, that is so for British managers. Their response is enough to take customer loyalty to the top of the ranking on this issue, overall and in those industry sectors in which British companies are strongly represented.

But managers from other countries placed less emphasis on customer loyalty: only in Sweden was the British view shared.

Germany and Switzerland pumped for customer service, which was the top ranked quality in nearly half the industry sectors; France and the Netherlands went for good communications with customers. Managers in Italy put good use of technology at the top of their list of qualities, a view shared by the electricity, media, oil and gas industries.

There was less national polarisation on the second category: people. In France and the Netherlands, satisfied, loyal staff was most important; in Britain and Italy, this lagged behind giving people the means and facilities to deliver results.

In Germany training was the most important people factor, a view shared by many industry sectors. But all respondents believed that progressive childcare policies and demonstrating "real" equal opportunities mattered least.

The answers in the third category, which asked for the company with the best products and services, produced one very surprising result. In almost every country, investing heavily in R&D was seen as making little contribution to product excellence, quality also made little impact. The most important issue, in most countries, was meeting real market needs.

In Britain, perhaps reflecting industry's traditionally concentrated structure, market leadership was seen as most important. This view was also shared in industries in which volume is critical (such as food processing and commercial banking).

Despite the negative attitude

to R&D, technology was not ignored: making innovative use of technology was seen as the most important product issue in Germany and Switzerland, and it also scored well in Italy.

Unanimity reigned on the factors contributing to outstanding business performance. In almost every country and industry sector, consistent growth and long-term profitability was the best definition of performance. More unexpected was the general view that being a low-cost producer was not a particularly important contributor to outstanding business performance.

Among industrial sectors, only cars and beverages put low costs as a high contributory factor to business performance. Perhaps Europe's top companies are more vulnerable to low-cost competition than they realise.

There was also clear agreement on quality: that makes the most important contribution to leadership, displaying a positive management style.

Germany and the Netherlands, perhaps reflecting the way business works in these two countries, gave equal weight to communicating the company's aims and making sure they were shared by everyone from the top down.

Taking a strong position on social issues came bottom, almost everywhere. What is the most important element in giving a company an effective strategy? As in the leadership category, clear policy and objectives came top in almost every country and industry; responding to the market needs of the 1990s came next.

There was much emphasis on seizing opportunities in the emerging European market. But, perhaps worryingly, the rest of the world seemed less important. Only British managers seemed to care about doing business on several continents, though a handful of industries across national boundaries from insurance to engineering shared the view.

Only in Italy (and in the oil and gas sector) were managers expected to have knowledge of international markets. There was little enthusiasm for the seventh category, in which managers were asked to nominate the company which cared most about the environment. However, a clear trend was evident: managers' belief of good environmental behaviour primarily in terms of production processes, not packaging or product design.

The investment in pollution control measures came top in most countries, while reflecting environmental policy in products, packaging and the like came bottom.

## Some kind of misunderstanding...

Surprisingly few companies actually declined to take part in the survey. There were, however, one or two surprises, writes Paul Taylor.

For example, the chairman of one large British building materials group said he could not complete the questionnaire because he did not know enough about his competitors across Europe.

Meanwhile, the chief executive of another British-based company said it was group policy not to take part in such surveys. Nevertheless, a complete questionnaire was received from the same group's finance director.

Response rates, both positive and negative, also varied

quite markedly between sectors.

The highest response rates of up to 50 per cent came in the beverages & tobacco and automobiles/auto trucks & parts categories. But response rates in the steel & metals processing and household, textiles & clothing sectors only made it into the mid-teens.

In addition, with almost 2,000 senior executives from Europe's largest companies asked to vote on their peers, there were a few misunderstandings. For example, several returned questionnaires were ruled invalid because respondents voted for their own companies.



Paul Taylor takes a look at some of the results by sector

## Benchmark is set by clear winners in product groups

When Europe's senior executives were asked to nominate the most respected companies in their industries on the basis of seven measures of business performance, clear winners emerged in most business sectors.

As a result the first Financial Times/Price Waterhouse survey should provide a valuable tool for corporate executives and others wishing to benchmark their companies against the best in Europe.

This is a summary of some of the results by sector:

**Automobiles/Auto Trucks & Parts**  
Bayerische Motoren Werke, the German carmaker came top in this sector which had a particularly high response rate. BMW was followed by Robert Bosch, the German components manufacturer, and then Peugeot-Citroen, the French motor group.

**Banks**  
Although Deutsche Bank no longer ranks as Europe's biggest bank - that title is now held by HSBC following its takeover of Midland Bank - the German bank emerged well ahead of its rivals in a large sector. HSBC ranked fifth equal with Germany's BHF-Bank, behind UBS, Lloyds-Bank and Spain's Banco de Santander.

**Beverages & Tobacco**  
In this sector the only two non-British contenders, LVMH Louis Vuitton Moët Hennessy, the French luxury goods group, and Heineken, the Dutch brewer which has a substantial international reach, topped the rankings. However, Guinness and Whitbread were well placed and Grand Met scored well.

**Chemical, Paper & Packaging**  
Ciba-Geigy, of Switzerland, which also has substantial pharmaceutical interests, took first place in this sector even though U'Air Liquide, the world's biggest industrial gases group, made it into the top 25 list. Ciba did well mostly because of its customer focus, products and financial performance.

However, unlike many other sectors, votes were very evenly spread across the industry.

### Reasons for selecting companies

Most & Least Important Qualities	
Customer Focus	
Most Important:	Enjoys high customer loyalty
Least Important:	Makes good use of technology in its customer services
People	
Most Important:	People have the means and facilities to deliver results
Least Important:	Has demonstrated "real" equal opportunities
Products and Services	
Most Important:	Products solve problems and provide benefits
Least Important:	Invests heavily in R&D
Business Performance	
Most Important:	Has shown consistent growth and long-term profitability
Least Important:	Is a low-cost producer
Leadership and Management	
Most Important:	Displays positive management style and attractive behaviour
Least Important:	Takes a strong position on social issues
Strategy	
Most Important:	Clear policy and objectives
Least Important:	Focusing on revenue growth rather than cost reduction
Environment	
Most Important:	Invests in pollution reduction measures
Least Important:	Policy shows in products and packaging

Source: Financial Times/Price Waterhouse

**Air Liquide** came second, followed closely by ICI, of the UK. Akzo, of the Netherlands, and Rhône-Poulenc, the French chemicals group.

**Construction, Homebuilding & Building Materials**  
German and British companies shared the top honours in this sector. Philipp Holzmann emerged with most votes by a clear majority, followed by Britain's RMC Group, the world's biggest concrete producer, and Pilkington, the UK glassmaker.

Dyckerhoff, the German cement group which recently acquired a 50.05 per cent stake in Ciments Luxembourg, and Wolsley, the UK-based heating and plumbing merchant, also made it into the sector top five.

**Diversified Holding Companies**  
This was one of the most difficult categories to rank because of the wide range of business activities covered. Nevertheless BTR, the British industrial conglomerate, emerged as clear winner, closely followed by UK-based Rentokil and Hanson. Chargeurs, the French textiles

transport and communications group, and Pinalut, which owns the Printemps stores also made the top five.

**Electricity & Water**  
Germany's largest utility group, RWE, led the electricity and water field, closely followed by Britain's Powergen and then Belgium's Electrabel, National Grid and Sweden's Vattenfall utility.

**Electronics & Electrical Components**  
Siemens came top by a wide margin, followed by Alcatel-Alsthom, of France, Finland's Nokia, Sweden's Electrolux, Britain's GEC and then Philips of the Netherlands.

**Engineering**  
Although ABB Asea Brown Boveri dominated this sector, Britain's Rolls-Royce and Linde, the German lift truck maker, also ranked highly. The top three were followed by Sandvik of Sweden and Williams Holdings of the UK.

**Food Processors**  
Unilever and Switzerland's Nestlé group headed this sector.

tor. They ranked fifth and sixth in the overall winners group.

They were followed by BSN, the French-based multinational food group, Barilla, Italy's family owned pasta and biscuit group, was ranked number four in the sector.

**Insurance**  
Germany's Muechener Rückversicherungs group won the most praise in this category followed by Fortis, the Dutch/Belgium group, Swiss Reinsurance, Zurich Insurance and Allianz, Europe's biggest insurance company.

**Media, Printing & Advertising**  
Reuters Holdings, the new and financial information group, stood head-and-shoulders above its rivals in this category receiving as many commendations as the next five companies put together.

Read-Elsevier, the Anglo-Dutch publishing group, came second, followed by the German Bertelsmann media group, Britain's EMAP and Wolters Kluwer, the Dutch publishing group.

**Pharmaceuticals & Healthcare**  
Switzerland's Roche claimed the top slot in this sector.

Surprisingly however, Roche did not figure in the 25 overall winners. Glaxo, made it into the top 25. But in the sector it ranked third behind its arch-rival drug competitor Sweden's Astra. SmithKline Beecham ranked fourth.

**Retail**  
British companies, J Sainsbury and John Lewis took second and third places respectively after Marks & Spencer.

Migros, Switzerland's leading food retailer, came fourth followed by the French-owned Carrefour group.

**Telecoms & Communications**  
British Telecom emerged as the top-rated company, followed by PTT Nederland, the partially privatised Dutch telecommunications and postal company, and Vodafone, the UK cellular network operator.

France Telecom, ranked number four followed by Cable & Wireless which owns the Mercury network in the UK.

Ian Rodger explains how ABB has grown into the largest power engineering group in the world

## The inside story of a model multinational

Hardly a week goes by without ABB Asea Brown Boveri, the Swedish-Swiss international engineering group, being cited as the model multinational enterprise of our age.

Management consultants, economists and social scientists swarm around it, studying it, testing their hypotheses and searching for clues to emerging trends in company development. Journalists besiege it for interviews, knowing that any

thing ABB says will be read eagerly throughout the world. In many respects ABB is the model multinational: it operates in 140 countries and carries out product development, manufacturing as well as distribution, in at least a dozen countries. Its ownership and top management are increasingly international.

Earlier this year Mr Percy Barnevik, chief executive, wrote in the FT about the need to build multinational teams for a global company. "As business gets more globalised, the competitive advantages of multinational teams increase. Any single-nationality corporate culture will run into problems as soon as it aims to integrate business operations from other countries," he said.

At the same time, we strive to develop a global corporate culture for all members of our multinational teams. One key to this is having a common

language. English was chosen at the outset, although a minority of the present 215,000 employees have English as their mother language.

"Today, all executives use English as their common language and ABB's currency for global reporting and consolidation is the US dollar. Most importantly, from the very beginning ABB established a common set of values, policies and operational guidelines to safeguard and promote a group-wide umbrella culture."

Even ABB's choice of Zurich as a headquarters, only a short flight from every major centre in Europe and with efficient access to every continent, reflects the company's multinational thinking.

ABB was formed in January 1988 from the 50/50 merger of Asea, the Swedish electrical engineering and robotics group, and Brown Boveri, the Swiss power engineering and railway equipment makers.

The initial shareholders of both groups recognised that moves to privatisation and deregulation in many countries would mean an international restructuring of their main businesses was inevitable.

Only the biggest and strongest would survive the shake-out and Asea and Brown Boveri recognised they had little chance alone. Together their chances would be greatly enhanced, with Mr Barnevik, who had already established

an international reputation at Asea, as chief executive.

Mr Barnevik recently divided the development of ABB to date into two phases. The first, from 1987 to 1990, he said, was dominated by acquisitions to give the group critical scale in the biggest markets while taking out excess capacity.

By far the most important were the 1989 acquisition of the power transmission and distribution operations of Westinghouse Electric and the takeover of Combustion Engineering.

Through these operations, the group acquired a US base with sales of \$5bn and a competitive nuclear power generation technology.

Since 1991, the group has been in a consolidation phase, although acquisitions have continued to figure prominently, with a special emphasis on central and eastern European countries. Also, a new business development thrust in the last growing Asian countries was launched.

Overall group employment has stabilised at just above 200,000, although this has been the net result of massive acquisitions offset by redundancies averaging 1,000 people a month last year.

This and an annual turnover of \$28.3bn last year makes ABB the largest power engineering group in the world, and one of the most widely spread. A little over half of 1993 group reve-



Percy Barnevik: eliminated intermediate layers of control

nues came from western Europe, nearly a quarter from Asia and a fifth from the Americas.

Profits, after doubling in the two years following the merger, stagnated at the beginning of the 1990s, last year reaching \$1.19bn before taxes and extraordinary items. However, through rationalisation, ABB has managed to turn a \$2.1bn net debt at the end of 1990 into a \$242m net liquid position at the end of last year.

Mr Barnevik's initial management approach was to push down operating responsibility to the operating units and eliminate intermediate layers of control. In doing so, the group created some 5,000 profit centres. Executive board members carried both divisional and regional responsibilities in the new conventional matrix structure.

However, last year he modified this structure significantly, reducing the number of

divisions, or segments as ABB calls them, from seven to five and undoing the matrix at executive board level.

The idea, he said, was to improve the group's ability to respond with all its resources to customer demands for large, complex system projects.

Although still a young group, ABB has already developed a unique corporate culture, where nationality no longer determines an employee's prospects.

The one glaring deficiency in the structure is its capital. ABB is still owned entirely by Asea and BBC. While both the Asea and BBC shares are quoted and are much more widely held than they used to be, group executives believe that its credibility as a multinational would be greatly enhanced by a conversion of these into ABB shares.

There are significant technical and legal difficulties in achieving this, largely because there is no ideal jurisdiction in which to base a multinational entity like ABB, and the dominant Swedish and Swiss shareholders of Asea and BBC do not want to lose their influence.

But Mr Barnevik believes it will happen in the next few years, a period he calls the "expansion phase". This phase seems to have got under way in the first quarter of this year, with a 20 per cent surge in pre-tax profits to \$246m.



## FINANCIAL IZVESTIA TALKS BUSINESS TO 300,000 INFLUENTIAL RUSSIANS EVERY THURSDAY.

Financial Izvestia is an 8-page weekly business newspaper produced by the Financial Times in partnership with Izvestia, Russia's leading independent daily.

Printed on the FT's distinctive pink paper, it accompanies Izvestia every Thursday.

Drawing on the huge editorial network of both newspapers, it brings up to the minute, accurate, national and international news to 300,000 decision makers in Russia. News from around the world that impacts upon the Russian market, making Financial Izvestia an essential and unique business tool for those shaping the new Russia.

To find out more about advertising to these influential people call Ruth Swanston at the Financial Times in London on 44 71 873 4263 (fax 44 71 873 3428), Stephen Dunbar-Johnson in New York on 1 212 752 4500, Dominic Good in Paris on 33 1 42 97 06 21, Sarah Pakenham-Walsh in Hong Kong on 852 868 2863.

**FINANCIAL TIMES**

LONDON • PARIS • FRANKFURT • NEW YORK • TOKYO

# Media legislation 'may be postponed'

By Raymond Snoddy

Newspaper publishers' ambitions to take over British broadcasters may have to be postponed because a growing parliamentary logjam is threatening serious delays to the required legislation.

Britain's National Heritage ministers fear there may not be time in the 1994-95 legislative calendar for primary legislation on the media.

That would mean reforms to allow "cross-media" ownership might be delayed until 1996 at the earliest, along with legislation on a range of issues vital to the future of British

television, such as amendments to controversial aspects of the 1990 Broadcasting Act.

A delay to legislation would be a severe blow to Channel 4 in its campaign to reduce its payments to ITV companies by £50m a year.

It would also be a setback to media groups such as Rupert Murdoch's News International which is thought to have ambitions to enter British broadcasting.

The Labour opposition may seek to exploit the government's difficulties by contrasting the delay in the UK with the wide-ranging plans of the Clinton administration to develop US

media and information industries. The information industries have been identified as an important growth area for the future of British industry.

Legislative proposals on key issues ranging from the future of Channel 5 and plans for digital television to white papers on the future of the BBC and the press and privacy, are already considerably delayed.

Whitehall departments have just lodged their bids for legislative slots and the outlines of the Queen's Speech - to be delivered in the autumn - are expected to be decided by the end of this month or early

next. National Heritage ministers fear the legislative timetable will be dominated by issues such as the privatisation of the railways and the Post Office.

An interdepartmental committee on cross-media ownership is due to complete its work this summer. It is likely to recommend a relaxation of the rules that prevent publishers owning more than 20 per cent of broadcasting companies and vice versa.

Primary legislation would be needed for anything other than a small increase in the permissible stake.

The cross-media ownership rules

are central to any further liberalisation of ITV ownership regulations. Last year's change in the rules to allow one company to own two ITV licences, except in London, was seen as an interim step.

A legal framework for digital radio and digital terrestrial television would also be held up.

The plan to unite the regulators, the Broadcasting Complaints Commission and the Broadcasting Standards Council would also have to wait.

However, the renewal of the BBC's Royal Charter, which runs out at the end of 1996, appears unlikely to be affected.

## Britain in brief



## Economic growth seen as steady

Steady economic growth in the next few years, driven by stronger commercial investment, is envisaged by Cambridge Econometrics, an economic consultancy, in its latest set of forecasts issued today.

Consumer spending will remain restrained partly because of the tax rises announced last year. Export growth will be fairly high as a result of general economic expansion across much of the developed world.

Cambridge Econometrics expects gross domestic product to increase 2.8 per cent this year, stabilising at 2.5 per cent in 1995 and 1996. Investment growth will average 4 per cent a year between this year and 1996, while consumer spending will slow by the end of this year as the tax increases bite.

The consultancy says inflationary pressures will increase as the economy expands, with the retail prices index increasing 4.4 per cent next year after 2.9 per cent this year.

Stronger economic activity should lead to a decline in the government's borrowing requirement, which is expected to fall from 4.5 per cent of gross domestic product this year to 3 per cent next year.

Retail Revolution's largest

shareholder is the London-based Richbell group, a private company that owns the Egon Ronay food guides, a magazine for garage owners.

The company also owns Overdrive and Dial, the fuel credit cards businesses, which will provide the accounting software for Retail Revolution.

## Executives spurn perks

Most British executives value salary increases far more than perks when changing jobs, says a survey by a leading recruitment company.

Responses from 146 job applicants canvassed in a survey of recruitment trends carried out by KPMG Search and Selection, a recruitment services company, found that 68 per cent of them said they would prefer to have the equivalent increase in salary instead of some or all of the perks on offer.

Benefits considered most important were non-contributory pensions, company cars and healthcare. Those thought least important were longer holidays.

## National Power deals approved

The European Commission's competition directorate has approved contracts between National Power, the electricity generator, and private UK coal producers in spite of complaints that they were discriminatory.

It had earlier said in a preliminary finding that the generator was not justified in paying significantly lower prices to private companies than to British Coal.

## Amoco site for expansion

Amoco, the US oil company, plans to spend £20m to expand its natural gas terminal at Seal Sands in Teesside in a project which will link the facility with British Gas's national transmission system.

The Teesside terminal is the destination of the 255-mile Cats pipeline which runs through the central North Sea, and through which the Aramco gas will be sent.

## Rotterdam and Humber ports in trade drive

By Ian Hamilton Farry, Northern Correspondent

The ports of Rotterdam in the Netherlands and the Humber in northern England are to jointly promote their growing shipping links to try to divert more trade from the UK and other European competitors.

The first of a series of presentations to manufacturers and distribution companies will be held tomorrow in Wakefield, West Yorkshire.

The ports used to promote separately but started talking last year about trying to make Humber-Rotterdam the principal trade route between Britain and the European mainland.

Although the ports compete for deep-sea traffic they believe there is scope to co-operate on roadborne freight needing North Sea passage.

The Humber is Britain's busiest estuary. It carried 60m tonnes of cargo last year - surpassing the Thames for the first time, with about 40,000 shipping movements. Its main ports of Hull, Immingham, Goole and Grimsby are supplemented by 10 river wharves and about 100 other berths. It accounts for 17 per cent of the UK's seaborne trade and this share is expected to rise to 25 per cent in six years. Humber traffic has increased by 60 per cent in the last 10 years.

A principal attraction is the UK's motorway network, which puts 40m people - most of which north of London and the south-east - within a day's return lorry drive.

Rotterdam handles 300m tonnes of cargo a year and offers direct links into European markets of 20m people within 24 hours' drive.

The advent of the Channel tunnel has spurred co-operation.

Both Rotterdam and Humber authorities say that the tunnel will have little impact on their operations because it will initially handle only about 8m tonnes of freight. This compares with about 15m tonnes of container traffic through the Humber and 60m tonnes through Rotterdam.

The market where the tunnel is hoping to compete is the Humber-Rotterdam partnership - a joint venture of local public and private sectors - is emphasising Britain's London transportation bottleneck and the convenience of Humber-Rotterdam for roadborne freight to and from Europe for Scotland, northern England, the Midlands and Ireland.

Rotterdam Port Promotion Council, the partnership's Netherlands equivalent, says the ports can offer "considerable" economic benefits to businesses.



Emergency workers at the scene of the weekend derailment in which two people died.

## Vandalism probe after derailment

Police were investigating the possibility of vandalism yesterday after two people were killed and four injured when a passenger train was derailed at Greenock in Scotland late on Saturday night.

The dead were believed to be the driver and a passenger on the service from Wemyss Bay on the Clyde coast to Glasgow. Four other passengers were treated at Inverclyde Royal Hospital, Gourock, and later discharged.

A police spokeswoman said: "As far as we are concerned there was debris on the track. The first carriage was extensively damaged. We can't rule out vandalism."

The train hit an overhead bridge at Drumfrock Street, ripping the sides off the leading unit.

## Support grows for 'green' farming

By Deborah Hargreaves

British government funds for "sustainable farming" have been tripled to £12m to try to reduce the use of agrochemicals and fertilisers.

Industry is providing a further £12m for a scheme which is backed by Mrs Gillian Shephard, UK agriculture minister. She said: "Sustainable farming needs to find ways of enhancing its resource base without relying on agrochemicals and fertilisers."

plant and bird life and protect the rural environment and the welfare of animals."

Sustainable farming is becoming a buzzword in agriculture. The concept has grown out of pressure from the "green" lobby to halt spiralling use of agrochemicals.

"Sustainable methods involve farmers cutting the use of chemicals while maintaining profitability, rather than giving up the use of artificial fertilisers and chemicals by

turning to organic production.

Projects backed by a government scheme to introduce sustainable methods show how use of weedkillers can be cut by using spraying machines that recognise weeds.

Some of the projects show how producers can encourage natural predators to eat harmful crop pests. Another research initiative is aimed at showing farmers how to control nitrogen leaching into the soil when spreading manure.

The scheme has attracted growing interest from producers since it was set up two years ago.

Mr Rex Chester, a farmer who chairs the management committee for the project, said: "Farmers need to respond to the growing public concern for wildlife and the environment." But he said: "We can't compete with people who are eating meat. It's a sin. At the extreme end, the demands become irrational."

## Business Travel Desk

### FLIGHTS

**First Class Return**  
SAO PAULO from £2,250

**Club Class Return**  
SAO PAULO from £1,750

Also Promotional Fares - return on a one-way to every Brazilian city

**AMERICAN EYE LTD**  
1/3 Wardour Street, London, W1V 5TA. 071 439 7416 Fax 071 439 5757  
ABTA TRAVEL AGENT A3828 Acc/VOC/Swt

### o frequent flyer

TRAVEL CLUB

PARIS/AMSTERDAM - 100 MILES CREDIT - 100 MILES CREDIT - 100 MILES CREDIT

ALL DESTINATIONS EX LONDON

Destination	Club	First	Second	Third
Amsterdam	Club	£1,575	£1,175	£875
Birmingham	Club	£1,400	£1,000	£700
Bristol	Club	£1,325	£925	£625
Cardiff	Club	£1,250	£850	£550
Edinburgh	Club	£1,175	£775	£475
Glasgow	Club	£1,100	£700	£400
Heathrow	Club	£1,025	£625	£325
London	Club	£950	£550	£250
Manchester	Club	£875	£475	£175
Newcastle	Club	£800	£400	£100
Nottingham	Club	£725	£325	£25
Sheffield	Club	£650	£250	£175
Southampton	Club	£575	£175	£75
Stoke	Club	£500	£100	£25
Toronto	Club	£425	£25	£25

Write your destination, name, title, address, phone, fax, email, and send to: 071 493 0021

### UNION

ECONOMY BUSINESS & 1st CLASS

Destination	First	Second	Third
New York	£80	£45	£30
Los Angeles	£75	£40	£25
San Diego	£70	£35	£20
San Jose	£65	£30	£15
Hong Kong	£50	£25	£10
Tokyo	£45	£20	£10
Delhi	£40	£15	£10
Sydney	£35	£10	£5
Dubai	£30	£5	£5
Singapore	£25	£5	£5
Malaysia	£20	£5	£5
Thailand	£15	£5	£5

Write your destination, name, title, address, phone, fax, email, and send to: 071 493 4343

### GULF SPECIALS

TRAVEL FROM £399 RETURN

DUBAI, MUSCAT, ABU DHABI, KUWAIT, DORA, DHARAN, RIYADH, JEDDAH, BAHRAIN, TEHRAN FROM LONDON AND OVER 15 UK REGIONAL AIRPORTS

RESTAURANT/ECONOMY DISCOUNTED

Also multi-stop itineraries.

CALL OR FAX NOW

With your proposed itinerary and we will quote you a price!

**CRUXTON TRAVEL**  
Tel: 0800-426 9444  
Fax: 081 421 8394  
LATA: ABTA A3834

We prefer scheduled flights, more affordable!

### ANGLO FRENCH

WORLD TRAVEL LTD

INDONESIAN EXPRESS (Direct Office in Singapore)

Tailor made specialists for the Business & Leisure Traveller

Direct Return Fares From:

Destination	Business	First
Abu Dhabi	£485	£590
Amman	£595	£1,650
Bahrain	£495	£1,100
Dubai	£525	£1,100
Manila	£495	£1,100
Los Angeles	£530	£1,098
London	£575	£560
Tokyo	£680	£1,550
Singapore	£525	£495

Write your destination, name, title, address, phone, fax, email, and send to: 071 491 4469

### FLIGHT NEWS

CRUXTON TRAVEL

1/3 Wardour Street, London, W1V 5TA. 071 439 7416 Fax 071 439 5757

### GERMAN

CRUXTON TRAVEL

Destination	First	Second	Third
Berlin	£1,200	£800	£500
Frankfurt	£1,100	£700	£400
Hamburg	£1,000	£600	£300
Munich	£900	£500	£200
Paris	£800	£400	£100
Rome	£700	£300	£50
Vienna	£600	£200	£25
Zurich	£500	£100	£10

Write your destination, name, title, address, phone, fax, email, and send to: 071 493 5212

### FINANCIAL TIMES

BUSINESS TRAVEL CLASSIFIED

appears every Monday in the Financial Times

Do not miss the market-place for Business Flights, Business Travel Agents and any other services that will ease your journey.

To advertise contact:  
Julia Copeland: Tel: 071 873 3559 Fax: 071 873 3098

## IS INTERNATIONAL INVESTMENT

### ALL GREEK TO YOU?

With a wealth of editorial in every issue, it's the essential guide to the world of finance. And because The International is published by the Financial Times, its pedigree is impeccable.

Already thousands of shrewd subscribers have realised The International's other great benefit: IT'S ABSOLUTELY FREE FOR ONE YEAR.

To join them simply complete this free subscription form below.

Please return to Kevin Phillips, The International, Greyhound Place, Fetter Lane, London EC4A 3ND, UK

Yes, please send me FREE and without obligation, for one year, my very own copy of The International, the personal finance magazine from the Financial Times.

My details are:  
Name: \_\_\_\_\_  
Job title: \_\_\_\_\_  
Company/Trade Address: \_\_\_\_\_  
Country: \_\_\_\_\_ Postcode: \_\_\_\_\_

Sign here only if you wish to receive a regular copy of The International.  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Types of investment currently held**

☐ 1 Domestic Equities  
☐ 2 International Equities  
☐ 3 Overseas Debts  
☐ 4 Property  
☐ 5 Bonds  
☐ 6 Precious Metals/Gems  
☐ 7 Unit Trusts/Mutual Funds  
☐ 8 Other International Investments  
☐ 9 None

**Which of the following do you know?**

☐ 1 Credit Card (e.g. Visa)  
☐ 2 Gold Card  
☐ 3 Charge Card (e.g. Amex)  
☐ 99 None

## DIVIDEND & INTEREST PAYMENTS

[illegible][illegible]

**BOARd MEETINGS:**  
 Photo  
 Health (R)  
 Call  
 TR Technology  
 Ventures Luxury  
 Yorkshire Stout  
 Inferno  
 Great Nicholas  
 Dwyer  
 Investment  
 Partridge Place Arts

*Company meetings are annual general n  
 unless otherwise noted.*

*Please note: Reports and accounts are  
 normally available until approximately 2  
 after the board meeting to approve the  
 preliminary results.*

**SEPTEMBER 27  
CIVIL JUSTICE ON TRIAL**  
Venue: Israel Temple. This important one day event has a prestigious panel of speakers and will be chaired by:  
The Rt Hon Lord Woolf of Merton  
Rodger James QC, Frank Whistley QC  
David Pannick QC  
For details contact International  
Professional Conferences Ltd,  
Tel: 071 233 7733

**LONDON**

**OCTOBER 11  
EXTRACTING CASH FROM THE  
UNQUOTED COMPANY**  
This timely conference will give expert guidance on methods of company valuation, floating, trade sales and the company buying its own shares. The speaker will analyse the complex legal and tax implications, the latest techniques and planning opportunities available.  
Contact: Kate Roberts, IBC Legal Studies  
Tel: 071 637 4383 Fax: 071 631 3234

**GLASGOW**

**OCTOBER 20  
USING THE YELLOW BOOK IN A  
WIDER CONTEXT: An Advanced  
Guide to the Listing Rules and  
related Legislation**  
How LSE works in practice; listing particular securities; releasing and disclosing information; financial reporting; model code; sponsors; role of broker; day in life of a company Secretary. CPD 5.5 hours.  
Contact: Kyr Dickenson, IBC  
Tel: 071 637 4383 Fax: 071 631 3234

**LONDON**

**INTERNATIONAL**

**JULY 5  
CROSS-BORDER TAX &  
FINANCIAL ISSUES FOR INT'L  
BANKING & SECURITY HOUSES**  
Cross-border tax consequences: Derivative Financial Products, Inter-bank Financial transactions; Transfer Pricing issues/Deduction Activities; Advance Pricing Agreements; U.S. Bankruptcy Court of U.S. & European applicants including former director of AFA program, IRS and representatives of OECD, French & U.K. Boveries.

*at the American Tax Institute in Europe*  
Tel: +44 252 760 501 Fax: +44 252 760 503

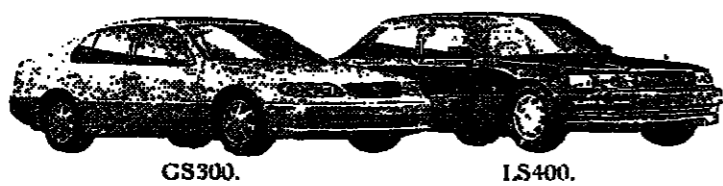
**PARIS**

**SEPTEMBER 27-28  
D/DSIN ISSUE OF 94**  
Competition in combination with open access will force ISPs to introduce new advanced technologies such as FT/D/ADSL/SCD/AM/FMS/ISAM  
At this conference it exhibits the latest developments will be structured and shown by the major companies and utilities, High level.

Contact: Peadar Webb

Tel: +361-202-6883 Fax: +361-201-0017-0008

TO ADVERTISE IN THIS SECTION PLEASE CALL JANET KELLOCK ON 071-873 350



GS300.

LS400.

It's quiet in a Lexus LS400. Virtually all noise has been designed out.

For instance, steel and resin 'noise sandwiches' blanket the cabin. The drivetrain is in one straight line to reduce vibration. The engine is a smooth 4.0 litre V8.

In fact, you could hear a pin drop, if it weren't for the deep pile carpet.

But what's left is a silence no ordinary

sound system could cope with. So Lexus created a system uniquely appropriate to the LS400. An ideal sound field ensures that, wherever you sit in the LS400 cabin, you hear the same rich sound quality.

At the corners of this field are seven speakers. Two dome tweeters for high sounds, four full range speakers and an eight inch subwoofer for a fuller bass sound.

The system produces 180 watts maximum power. (Well, there is a lot of silence to fill.) And, as if it isn't already

a system to make even audiophiles question their domestic listening arrangements, it can be upgraded further. With a remote six-disc CD auto-changer.

But can a car's sound system ever be a reason to buy the car?

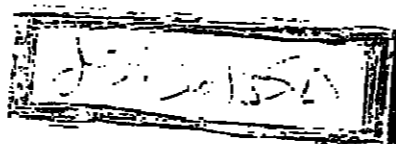
Certainly it can if it's indicative of the unheard of lengths the maker has gone to in developing the whole car.

Unfortunately, we can think of only one car which qualifies. See your Lexus dealer for a sound check.



Lexus LS400.

# Driving a Lexus LS400 improves your hearing.





## HEALTH

## Headaches: a pill poppers guide

What is the difference between Doan's Backache Pills and Nurse Sykes' Powders? At first sight, everything. Mr Doan brings you khaki brown tablets to deal with "sprains, lumbago and fibrositis". Nurse Sykes offers a white powder with a faint vinegary odour suitable for treating "influenza, feverishness and feverish colds".

But the ingredients are almost identical, essentially paracetamol and aspirin. The only real difference is Nurse Sykes is more stimulating: she administers half a mug of coffee's worth of caffeine with her painkillers. Both medications are available in UK pharmacies, along with another 70-plus brands of headache treatments. Hundreds more fill drug store shelves in other countries.

The fuzzy-headed can simplify the buying decision by staying loyal to one brand. Alternatively they can read the side of the pack to find out which of the four or five possible active ingredients is used.

The intelligent pill popper looks out for:

● Aspirin which, after almost a century of commercialisation, is still the number one choice for many. There are three related compounds in the aspirin family. Acetylsalicylic acid, the official aspirin, salicylic acid and sodium salicylate. Each works in the same way, but acetylsalicylic acid is often preferred by drug manufacturers because there may be a slightly lower chance of irritating the stomach.

● Paracetamol, called acetaminophen or branded Tylol in the US, is as effective as aspirin but without the tendency to irritate the stomach.

● Ibuprofen is a more powerful drug that began to be available over-the-counter in early 1980s and can be used for relieving menstrual and post-operative pain. Its newness means that it is not available in Greece, Portugal or Norway and a handful of other countries.

● Codeine and dihydrocodeine, are stronger still. These powerful drugs are mildly addictive and so not available over-the-counter (OTC) without a prescription in a pure form. Even in mixtures with aspirin or paracetamol they are only available OTC in some countries such as the UK, France, Denmark and Canada. They were once used in cough medicines in the US, "but people used to drink it all at once," says one drugs industry executive.

● Naproxen. A new name, available from this month in the US, is a latest-developing naproxen which was one of the world's highest selling rheumatism treatments until its patent expired last year. The manufacturers say the price per dose is "comparable" to existing analgesics and the effect lasts for eight to 12 hours.

Other ingredients, such as caffeine, do not ease pain. More headache products are likely to come onto the OTC market in the next few years as governments try to shift some of the costs of healthcare to the consumer. This is likely to lead to a further proliferation of brand names. The clear-headed will stick to reading the list of ingredients.

Daniel Green.



## EATING OUT

## Fine food in an awkward shape

Hilaire, London SW7, currently embodies a lot of what is good and a little of what is awkward about London restaurants today.

The good stems directly from Bryan Webb, an extremely talented Welsh chef, and his enthusiastic young staff. This is obvious from a quick glance at the menu.

The tempting list for lunch (£12.50 for two courses) included chorizo and chick pea broth, char-grilled tuna with French beans and black olives or a pigeon breast with wild mushrooms as first courses. Breast of free-range chicken with potato pancakes and tarragon, grilled fillets of Dover sole with a *beurre blanc* and braised pork cheeks with mashed potato were three of the nine main courses on offer.

Dinner is more expensive. Three such intricate dishes as griddled scallops with a vegetable relish, a rib eye of beef with shallot and tarragon butter and a white and dark chocolate terrine may add up to over £30.

Hilaire has managed to stay busy in the evenings with a keenly priced four course fixed menu at £25.50 and, after 9.30 in the evening, a two course post-theatre supper menu at £16 (the Albert Hall is within walking distance). The wine list is well chosen, fairly priced

and includes three pages of half bottles.

When Hilaire does disappoint it is entirely due to its physical structure. Many London restaurants do not have the advantage, like their counterparts in New York or Paris, of being situated on the ground floor of buildings along wide boulevards or avenues. Instead they are in narrow buildings, former townhouses, with small frontages (Hilaire's is only 4 metres wide but it can seat 50). Tables are of necessity quite close together and kitchens are situated on a different floor.

At Hilaire try to book for the ground floor but not too close to the door if there is a strong wind blowing. Downstairs can be claustrophobic with two tables in what were coal holes - but it is a particularly useful size for a small corporate dinner party. Webb's cooking is equally impressive on either floor.

Hilaire, 62, Old Brompton Road, London SW7 8LQ, tel 071 594 8993. Open Mon-Fri for lunch and dinner, Saturday dinner. Nearest Tube South Kensington. Opposite Christie's, South Kensington and close to the Victoria and Albert, National History and Science Museums.

Nicholas Lander

## FINANCE

## Once the company car is gone

Thinking of becoming an ex-company car driver? You are not alone. The new tax regime is prompting growing numbers of drivers to consider going private, particularly if their company car is a peck, rather than a tool, of the job. But remember that it is not just the cost of the car but all the peripherals - like insurance - that you need to take into account when weighing up your options.

Young, accident-prone, inner-city dwelling drivers of sporty cars might find it cost-effective to stick with a company car, because their insurance premiums could be well over £1,000 a year.

Even more mature drivers of standard cars with an unblemished driving history can face unexpected problems when buying their own insurance for the first time. Many insurers refuse to accept a clean company car driving record as qualification for a no-claims bonus, but they normally accept discounts transferred from other insurers.

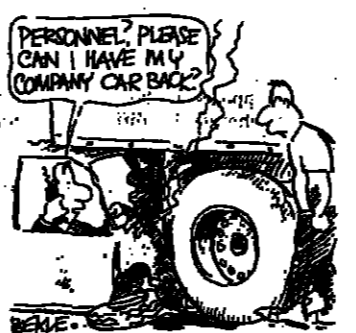
Others only take your record into account if you are over a certain age - which can be as high as 55. And of those offering discounts, very few give new ex-company car drivers a full no-claims bonus, which can cut premiums by up to 65 per cent if you have been accident-free for four or five years.

For example, Direct Line, the largest direct insurer, earlier this year introduced a no-claims discount for ex-company car drivers - but only over the age of 50, and only up to a maximum of 50 per cent, rather than the company's usual 65 per cent maximum.

Although the recent trend in motor insurance has been towards direct, telephone-based insurers, drivers going it alone for the first time could be well advised to talk to a broker, who may know which insurers are sympathetic, as well as calling a few insurers direct.

As proof of your driving record, you will usually need an official letter from your employer, though a few insurers ask for a declaration from the company's insurer.

Of course, a no-claims bonus is only worth having if it makes the eventual premium cheaper than the alternatives. Simon Ward, of telephone broker Telesure, says



that insurers who do not give ex-company car drivers immediate no-claims discounts can sometimes still be cheaper - but this is not likely in the majority of cases.

So before launching into a recital of all your details over the phone to an insurer, it is worth asking at the outset what their attitude is to accident-free former company car drivers.

Bethan Hutton



## STYLE

## Some like it hot but it's lovely in a cold climate

To sunny Rome from drizzly Heathrow. In these days of Euro-travel, such a hop for a day's business is a regular possibility. The destinations may vary but the flexible, user-friendly wardrobe, which doesn't involve a suitcase of changes, is an important consideration.

This is where the cashmere investment makes the soundest sense. Warm when you leave from a chilly airport in early morning, appropriate for a strategic meeting and glamorous enough for an evening date. The right cashmere sweater even looks good thrown carelessly round the shoulders as a shawl.

This season the choice of colour

is simple. Cashmere is at its most luxurious in shades of beige, ecru, cream or biscuit. All these work with the basics - navy, black, brown or grey - or even with more beige, white or cream if the film star entrance is what you're after.

The shape to choose? Try the re-vamped twinset last seen in Audrey Hepburn films with its trim little cardigan over a matching round-necked shape. Fashion buffs will wear them short and small, like the one by TSE (pronounced SAD) in silk and cashmere mix £139 at the cutaway-sleeved top underneath (Harvey Nichols, Liberty's, Selfridges and Harrods).

At Scotch House you will find a more conventional design at £235 for 100 per cent cream cashmere. But they do have a sweet cropped version in lambswool in their Hopscotch range.

Easier on the shoulders is the loose, fingertip-length tunic-shape available at Pringle (in Habridan cashmere for £190) and at Ballantyne (in two-ply, ribbed cotton/cashmere for £160), 153a New Bond Street.

The single ply cashmere tunic with side slits, at £235, is a bestseller at N. Peal in Burlington Arcade and the more expensive ribbed equivalent had to be brought back into the range due to its popularity.

Women have discovered that the tunic shape works equally effectively with a skirt (whatever length you're wearing) or trousers. Cut like fabric, it is a sweater with none of the breakfast TV presenter connotations.

Kathy Phillips, beauty director of Tatler

## READING MATTER

## Lessons from within Toshiba

*Alchemy of a Leader*, John E. Reihfeld, John Wiley & Sons, \$22.95.

Fashionable as it has become for authors to point to Japanese tradition and the Bushido, the "way of the warrior", for handy, if vague, tips on crisis management in the modern Western office, lessons are better learned from the manoeuvring in the trenches of Toshiba.

The borrowing of Japanese techniques is a modern role reversal, given that the art of borrowing, whether it be Chinese as a written language or a US

production line, has been central to Japan's development. For western managers, the challenge is learning from Japanese companies without transplanting a corporate culture that has a worker introduced by company name first, family name second.

Given that he is fond of the "strategic silence" that punctuates Japanese management, Reihfeld's exercise in alchemy begins without the characteristic humility of a Japanese student before his sensei (master). He opens the book with talk of "unique" experiences in management and his skills of synthesis.

But a touch boastful beginning becomes a book that does get down into the Toshiba trenches to sift techniques. Having worked at that company in the US, the author is aware that with the transplant comes the likelihood of rejection, and that the style at headquarters is not necessarily common to the large Japanese family of sub-contractors providing the components.

The most useful suggestions are of the "getting to know your customer" type. Japanese companies are relentless cultivators. If you have taken advantage of the new-found freedoms in the Tokyo telecoms market to use other than KDD, the old long-distance telephone monopoly, the folks at KDD will persistently come a knocking, offering discounts, note pads and good reasons why you should rejoin their phone fold.

And there are lessons, as Reihfeld suggests, in avoiding the "hero" culture of the west. The victories should be shared, and the corporate wins should be "celebrated on a frequent and modest basis". While suggesting that "silence" does have benefits, he also points to the need

for positive feedback often lacking in a Japanese office.

Japanese companies are being forced to reassess their own management styles. Apparently conservative companies turned speculative in the late 1980s, showing the lack of restraint generally seen late at night on



Tokyo station platforms when well-watered managers are stumbling home after an evening of cultivation in the corporate internet.

And when these Japanese managers finally make it home, they will find a family less tolerant of late-night commitment to the company that was justifiable when the nation was devoted to "building a strong Japan". The executive cited as saying that the company "is what allows me to enjoy my family... and to maintain the respect of my family" is in danger of being fired by his family.

Robert Thomson



Jeremy Bates wins through to the fourth round on Saturday

## SPORT: LAURA THOMPSON



## It's not tennis that's at fault

A new think tank has been formed, which will discuss not how to combat federalism or how to house the homeless, but the more immediately pressing problem of how to make tennis more exciting.

Those who follow Wimbledon have become possessed with the idea that contemporary players are less interesting than their predecessors. Instead of dismissing this notion with a smart cross-court volley, the tennis authorities have been tossing it back and forth in a pointless, feeble rally.

Very few tennis players are regarded as charismatic when they are at the height of their powers. This is true today and has always been true. Only when their talent is in decline, and they start playing in a more "entertaining" manner, because they have less to lose by doing so, or when they stop playing altogether, and memory makes of them symbols of antique charm - only then do most tennis players acquire charisma.

The truth is that when they were playing, Nastase was a petulant egotist and McEnroe a hysterical willy; that Borg was regarded as a bore and Connors as a boor. Nostalgia is as strong a force at Wimbledon as a Christian service, and it is now creating discontent where none should exist. Who were these great characters who once enthralled us with their charm and style? More to the point, why should they have done so then, and why should they do so now?

It is hard to understand this idea that athletes who play tennis should also have to play to the gallery. Last week, at Wimbledon, I watched a match between Patrick Rafter and Sergi Bruguera which surely contained everything that a tennis fan would want: five sets and four hours of toughness and brilliance. But no - this was not enough. The crowd had to care who won, and so from these two apparently equally personable men they painstakingly fashioned for themselves a favourite, turning Rafter's gauche looks into those of a sex symbol, his intense tennis into that of a showman and his every instinct-

tive gesture into an expression of great personality.

Incidentally, I think that they have picked a non-starter with Rafter, who at his post-match press conference revealed a personality which could rival Michael Stich's for charmlessness. Perhaps people don't mind that, as long as he is not boring.

I, however, ask nothing of my tennis players except that they don't behave badly. I would not have minded if, on court, John McEnroe had failed to shout funny little asides, or perform little jigs, or jump the net, or hug the line judge, as long as he had kept his abysmal temper to himself. I don't expect Alan Shearer to give me a quick reprieve after scoring, or Brian Moore to parade newly-shaved legs before a line-out, and I am quite happy for Pete Sampras to carry on playing without trying at the same time to get himself an Equity card.

However, the phenomenon of Wimbledon is embraced by people who don't really like sport, but who simply like Wimbledon. Most of them are women. Wimbledon takes its cue from the flocks of schoolgirls who moon around its sumptuous courts looking for someone to fancy, and from the neat, flowery middle-aged women who sit primly in tea rooms and revel in the tournament's affirmation of Englishness. If sport is, on the whole, a

man's world, Wimbledon is a woman's. For two weeks, women are in charge. The men who follow them around those green and sunny alleys look as quashed as the cuckolds in a Restoration comedy.

And it is because Wimbledon is a sporting event for people who don't like sport that the entertainment factor carries so much weight. Unless the crowds have someone to prefer, someone to find attractive, someone to amuse them, they are not sufficiently interested in tennis to restrain themselves from nipping off for a cup of tea with every change of ends.

But it is quite wrong to take this incipient boredom seriously, and even more wrong to invite suggestions on the non-subject, which incidentally included the idea that spectators might be allowed to applaud during rallies and to leave their seats whenever they wished. Why should they do so? They are not children, to be given a lollipop to suck when they don't get their own way. There is something irritating and destructive about a sporting crowd which has constantly to be reminded of how grateful the event is for its participation; and something misguidedly humble about a sporting event which thinks its crowd has the right to behave like this. Spectators are important, but they are never more important than the thing they are watching.

As the French Government enters its second year, the country continues to undergo major changes. The survey will present a comprehensive view of one of Europe's fastest growing economies and will be of particular interest to investors, traders, politicians and all involved in doing business with France.

With a worldwide circulation and a readership of over one million, the Financial Times survey on France will be the most advertising medium for all businesses interested in the French market.

For an editorial synopsis and advertising information call Dominic Good in Paris on (1) 42 97 06 30 or fax (1) 42 97 06 24

FT Surveys

## PEOPLE

# Facilitator, not instigator

Michiyo Nakamoto assesses Keidanren's new leader, Shoichiro Toyoda

If there is anything that might give the uninitiated a clue about the new leader of Japan's business community, it is cleverly hidden behind the gold-rimmed spectacles, the dull navy suit and blue tie that adorn the slightly rotund figure of Shoichiro Toyoda, the new leader of Japan's largest and most powerful business group.

In the spacious reception room of the Keidanren, the Federation of Employers Associations, the soft-spoken Toyoda, who is also chairman of Toyota, the car company, comes across as the typical stuffy Japanese businessman.

But as he reads carefully prepared answers to questions, like a Buddhist monk reciting his chant, Toyoda is twiddling his thumbs.

The image hardly befits the chairman of Japan's most powerful economic organisation who is charged with steering the Keidanren through one of the most uncertain periods in its 48-year history.

The old order, in which business, the bureaucracy and politicians worked hand-in-hand to build Japan into the world's second largest economy, is crumbling. A huge political realignment is under way with politicians under pressure to reform their corrupt practices.

The bureaucracy, which helped form many Japanese industries into world leaders, is under attack for its resistance to the deregulation intended to create a more consumer-oriented economy.

The Japanese business community is debilitated by one of the most prolonged economic downturns in recent history. It has been demoralised by the punishing surge in the value of the yen and frightened by the realisation that there are few leading lights in industry to guide the economy out of slump.

Amid the crumbling political and economic order, the Keidanren faces a decline in its influence over the nation's development and is searching for a new role better suited to the changing times.

Yet it seems unlikely that Toyoda will provide the leadership people in Japan expect to



come from big business. Almost one month into the job, he acts like a man who has unexpectedly found himself in the spotlight, playing a role created for someone else.

The predominant question in the public's mind has been whether he can live up to the job. Even by his own account, he is not endowed with the stuff of which leaders are made.

In one of his most revealing remarks, the modest Toyoda once said of his predecessor Gaisi Hiraiwa, former chairman of Tokyo Electric Power, "Hiraiwa has the air of the philosopher. It takes a focused person like him to serve as chairman of Keidanren. I cannot devote myself like that now or in the future."

Indeed, until Akio Morita fell ill last November, Sony's chairman was thought to be the favourite to succeed Hiraiwa. It is not that Toyoda lacks

the formal credentials. As leader of a corporation with global operations, he has experience of the international community and the cosmopolitan outlook that his predecessor Hiraiwa felt were key prerequisites for the job.

After much agonising, Toyoda took responsibility for starting up manufacturing operations in the US. That he achieved that task successfully, to the satisfaction of the extremely cautious Toyoda clan, is to his credit.

His position at Japan's largest vehicle manufacturer makes him particularly vulnerable to the controversy - especially in the US - over the Japanese trade deficit and Japanese trading practices.

His family-run automobile company gives him clout in the domestic business community, but he is also known to be somewhat of a visionary. His idea of building homes

worthy of a leading economy led to the establishment of Toyota Home which, despite its lacklustre performance, has been allowed to continue. It built up a decent operation in the Nagoya area where Toyota is based, but cannot compete with the larger housebuilders with nationwide networks.

Other relevant experience for leading the Keidanren was gained when, as president of Toyota Motor Sales, he oversaw the painful merger in 1982 of that company with Toyota Motor, the manufacturing parent. Bringing the two companies together entailed overcoming entrenched corporate loyalties which Toyoda managed by spending a year at the sales company before the merger.

An engineer by training, at Nagoya and later Tohoku University, he won the prestigious Deming prize in 1980 for his contribution to quality control. But to make his mark as the Keidanren's chief, Toyoda will need to show more determination and political skill than he is known for.

As the leader of an industry that is at the centre of US-Japan trade tension, his role at Keidanren will also be scrutinised more than usual overseas.

Toyoda believes deregulation must be the centrepiece to reform in Japan. One of the first things he did on assuming the Keidanren chairmanship was to ask Prime Minister Hata to cut the number of bureaucratic regulations by half in the next five years.

Regulation, he argues, gives politicians and the bureaucracy too much influence over the private sector, which in turn is partly responsible for "the insupportable administrative guidance and incomprehensible practices that receive so much criticism from abroad".

Excessive regulation also hurts the Japanese consumer, he says. It is mainly responsible for the huge price differentials between Japanese and overseas markets and it stifles the kind of creativity that is needed to give birth to new ideas and technology which could revitalise the economy.

Keidanren is very anxious to bring about an environment in which the people at large

can truly enjoy the lifestyle of a more affluent society.

The Keidanren last year decided to back its words with action; it stopped its tradition of co-ordinating contributions from corporations to political parties, in particular the Liberal Democratic Party which, until last year, had ruled Japan for 38 years.

The battle to reduce the scope for regulation in the Japanese economy, however, will not be easily won. The automobile industry itself, whose interests Toyoda will be keen to protect, is under pressure to ease the rigorous vehicle inspection system which has long been blamed for making it unnecessarily costly to own a vehicle and which benefited the industry by encouraging car-owners to replace them regularly.

Toyoda is adamant, however, that the Keidanren is serious about deregulation. "It is true that deregulation will cause pain within certain industries and sectors have to adjust. However, there is a consensus in the business community that deregulation must be vigorously promoted so that consumers and other citizens can benefit."

That position is a dramatic turnaround by the organisation that has long been one of the pillars, together with the politicians and the bureaucracy, that supported Japan Inc.

"When the economy was still preoccupied with catching up other advanced countries and perhaps overtaking them, very close relationships between politicians, the bureaucracy and the business community were necessary to increase general standards of living," Toyoda points out.

"But in the future we must establish a relationship between the three which could be characterised by healthy tension, so that they will be mutually checking on each other."

That the Keidanren and Japanese business will be changed by the recession, the progress of political reform and by pressure from Japan's trading partners, is beyond doubt. But judging by Toyoda's approach, his role will be to facilitate rather than instigate, change.



## The gospel according to Philip Morris

The Marlboro Men have taken over at the top of Philip Morris, the US food and tobacco giant, following last week's resignation of Michael Miles, the erstwhile chairman and chief executive, writes Richard Tomkins.

The non-smoking Miles, who came from the food side of the business, seems to have done himself few favours with his low-profile approach to the job and even fewer with his support for a plan to hive off the tobacco operations into a separate company - which plan was subsequently rejected by the board.

Now he has gone, his job has passed to a pair of smokers: Geoffrey Bible, the new chief executive, who gets through a good few Marlboro a day, and William Murray, a more occasional puff, who takes over as chairman.

Coincidentally, both men are Australian, and both - in contrast to Miles - have a background in the tobacco side of the business, having started their careers with Philip Morris Europe.

They have known each other for 20 years and seem to get on well. Both, too, seem determined to take a much more aggressive stance in promoting Philip Morris's interests. One of the first things they did on taking over was to tell the press about their plans. They also command considerable loyalty from the troops; their first appearance before employees at the New York headquarters last week was reportedly greeted with a standing ovation.

In their new capacity as job-sharers, Murray, 58, will take charge of strategy and ways of increasing shareholder value, while Bible, 56, gets on with running the business.

Widely regarded as one of the tobacco industry's most able executives, Bible has a reputation for toughness - something he is going to need amid the wave of anti-smoking sentiment in the US.

## Where Haumer will hang his hat

It was always clear that ageing wunderkind Hans Haumer would be the first to go no matter how the battle over control of Austria's third largest bank, GiroCredit, was settled, writes Ian Rodger. The question that intrigued Vienna's banking community after Bank Austria finally took over Giro two months ago was where to.

Haumer, 57, an accomplished pianist, linguist and economist, came to Giro in 1989 with a mandate to sort out a bizarre problem. Giro's two largest shareholders, Bank Austria and First Austrian, were also two of its largest competitors. However, the chief executive's ideas were too clever by half for most of the modest savings bankers behind Giro, and in the end they disliked him even more than each other.

Now he is off to Liechtenstein, as a part-time executive director of the big BIL GT banking group controlled by the principality's royal family. No problem with squabbling shareholders there. He will also teach a monetary policy course at the University of Vienna and is setting up a financial services consultancy - perhaps specialising in how to rub bankers up the wrong way.

## Abdul's golden investment

The biggest golden handshake in Malaysian corporate history is being given to Abdul Khalid Ibrahim, the head of Permodalan Nasional (PNB), the national investment agency, writes Kieran Cooke. 'Abdul is leaving his post as head of PNB to become group chief executive of Kumpulan Guthrie, the plantations and property company which is 90 per cent PNB-owned. As a parting gift, Khalid has been allowed to buy 50m shares in Guthrie at the heavily discounted price of M\$2.50 (\$0.97) compared with the

present market price of around M\$4. The transaction gives the Khalid, 47, a 5 per cent stake in Guthrie and an immediate gain on paper of around M\$75m. He has also been given a three-year option to buy a further 15 per cent of Guthrie at a price to be determined.

The deal has been given the thumbs-up by both Mahatir Mohamed, the Malaysian prime minister, and Anwar Ibrahim, the finance minister.

Market analysts are seeing it as a somewhat lavish reward for Khalid's achievements during his 16 years at PNB. In 1981 Khalid organised a M\$1bn "dawn raid" on the London Stock Exchange, wresting control of Guthrie from its British shareholders. Khalid says he views his shareholding in Guthrie as a long-term investment and plans to turn the company into a corporation "that will challenge multinationals in Malaysia and elsewhere".

## Ashanti adds to its board

Following the successful \$1.7bn flotation of Ashanti Goldfields of Ghana on the London and Accra stock exchanges in April, Sam Jonah, chief executive, has created two new executive positions intended to make his board look more like the international mining companies it intends to compete with, writes Kenneth Gooding.

Colin Smith has been appointed chief operating officer and Mark Keatley becomes chief financial officer.

Smith, 57, was formerly a director of James Ashok Associates, a mining consultancy. He also held a number of other senior appointments during a 30-year career in the mining industry, inter alia with Broken Hill, CRA, and Hamersley Iron, all Australian groups.

He is already well-known to Ashanti as he carried out an independent engineer's audit for the World Bank's International Finance Corporation when the IFC was poised to back Ashanti's plan to lift its output to more than 1m troy ounces of gold a year.

Keatley, 36, is also no stranger to Ashanti; he was responsible over some years for negotiating loan agreements with Ashanti on behalf of the IFC where he has been divisional manager, treasury and financial policy.

## CONTRACTS & TENDERS

### CALL FOR TENDERS

On behalf of the Municipality of Budapest (Hungary)  
the Budapest Metropolitan Property Management Center Co. Ltd.

hereby invites tenders to purchase property  
in the ninth district of Budapest,

at 9-11

**Közlaktár**  
Street

Located on the Danube bank

this is the only significantly sized building site in Budapest's downtown area suitable  
for office blocks, hotel etc.,

15708 m<sup>2</sup> area (169,105 square feet)

with underground garage, eight floors including ground floor and a penthouse.

The invitation bid is international and public.

The documentation including the conditions of the competition and technical  
information may be purchased

between 9.00 am and 12.00 noon  
on work days from July 5 to August 22, 1994

at the non-refundable price of 50,000 HUF + 25% VAT, at

Budapest Metropolitan Property Management Center Co. Ltd.

23-27 Váci út, XII floor, Budapest XIII, H-1134 Hungary

Phone: (36-1) 120-2278; 270-0715

Fax: (36-1) 120-1278

Tenders must be submitted in person or by post and received before  
August 31, 1994

Hungarian law requires that we notify bidders that the inviter has foreign trade rights.

### CALL FOR TENDERS MADE FOR CONTRACTING SEA TRANSPORT SERVICES OF TOMATOES, CUCUMBERS AND OTHER VEGETABLES FROM THE CANARIES TO THE UNITED KINGDOM AND EUROPEAN CONTINENT

A CALL FOR TENDERS is hereby made to contract sea freight services to transport tomatoes, cucumbers and other vegetables from the Canaries to the United Kingdom and European continent during the 1994/1995 export campaign.

Shipping lines can present their offers either at the F.E.D.E.X. Offices in Las Palmas de Gran Canaria (Vegetables/fruit Station, "La Luz" Wharf, top floor) or at the A.C.E.T.O. Offices in Santa Cruz de Tenerife (Ribera Wharf).

The terms of the call can be examined at the above mentioned offices and copies of same will be available to the parties interested.

All tenders must be presented by ELEVEN A.M. on JULY 4TH, 1994 (4.07.94).

The offers will be read publicly at the F.E.D.E.X. Offices in Las Palmas de Gran Canaria at ELEVEN A.M. on JULY 5TH, 1994 (5.07.94).

### LEGAL NOTICES

1978 No. 3859  
THE HIGH COURT IRELAND  
IN THE MATTER OF:  
RIBBERRIAN TRANSPORT COMPANIES  
LIMITED (IN LIQUIDATION)  
AND IN THE MATTER OF:  
THE COMPANY ACTS, 1963

The admitted Conditions of the above named company who by virtue of their respective contracts claim to have been entitled to interest on their debts are recalled on or before the 15th day of August 1994 to send their names and addresses and the particulars of their claims for such contracts to the Official Liquidator, who is the said ALBION, in proof of claim as they may be entitled to and give notice of filing thereof to the Official Liquidator and to attend at such time and place as shall be specified in such notice or, in default thereof, they will be excluded from any distribution made before such date or claim are proved.

The 6th September 1994 at 11 o'clock in the forenoon at the Bankers' Office, Arns U. Dalrymple, Dublin 7, Ireland has been appointed for hearing and adjudicating upon the said claims.

Dated this 24th day of June 1994.

Alastair Gordon  
Liquidator

Notice of appointment of  
Administrative Receiver  
Company name: Accounting Computer Services  
Limited. Registered number: 165362. Trading  
name: ACS Business Centre. Nature of  
business: Office supplies and services. Trade  
date/creation: 22. Date of appointment of  
Administrative Receiver: 15 June 1994. Name  
of person appointing the Administrative  
Receiver: Lloyd Bank plc. Joint  
Administrative Receiver: B.M. Shanks (officer  
holder number 7925) S.P. Budge (officer holder  
number 7911). Offices & premises: P.O. Box  
262, Orchard House, 10 Ashton Place,  
Malden, East M14 5DZ.



### MEAT PROCESSING INDUSTRY

#### EXPRESSIONS OF INTEREST VIDEO IMAGE ANALYSIS TECHNOLOGY

Australian Meat Research Corporation (AMRC) has developed Video Image Analysis (VIA) technology which provides objective measurement of meat quality and yield prediction characteristics. While VIA has a wide range of potential applications within the food area and in other areas, particular devices for use within the meat industry have been developed to the working prototype stage.

These devices have been tested in international field trials and have demonstrated a high degree of accuracy. This has generated a significant amount of industry interest. The AMRC now invites expressions of interest from organisations with the vision and resources to take this technology to market in Australia and throughout the world.

At this stage, proven devices include the:

- Whole Carcass Assessment Unit which operates on the slaughter floor measuring yield - related parameters of lamb carcasses and beef sides
- Chiller Assessment Unit measuring meat and fat colour, marbling, rib eye area and yield - related parameters on quartered beef carcasses
- Portion Assessment Unit measuring dimensions, meat and fat colour, marbling and fat content on individual portions of beef and lamb

During 1994/95, the AMRC will be seeking a number of Australian industry networks to demonstrate the benefits of this technology. An immediate opportunity exists to supply a limited number of commercial prototype VIA systems for use by these networks as the first step towards domestic and international marketing of the technology.

For further information, apply to the consultants to the Corporation,

Geoffrey Shackleton, Strategic Vision Pty Ltd.  
Level 4, 234 Sussex Street, Sydney, NSW, Australia 2000  
Tel: 61-2-285 4555 Fax: 61-2-285 4556

Closing date for applications July 15, 1994.

All Advertisement bookings are accepted  
subject to our current Terms and Conditions,  
copies of which are available by writing to

The Advertisement Production Director  
The Financial Times, One Southwark Bridge  
London SE1 9HL  
Tel: 071 873 3223 Fax: 071 873 3064

### SUGAR & INTEGRATED INDUSTRIES COMPANY "S.I.I.C."

12 GAWAD HOSNY STR. CAIRO/A.R.E.

Fax: 3934558/3920508 - Telex: 21193/20806 S.I.I.C. UN

Announce for the International TENDER no. 2/6  
Belkas for PUMPS for BELKAS PROJECTS financed  
by the SAUDI FUND DEVELOPMENT according to the  
following:

1. Offers will be received & opened on 24.8.94 at 12 o'clock Cairo local time.
2. Tender documents can be obtained from above address against a stamped application and paying L.E. 1000 for one set to be increased by 10% in case it is requested by MAIL.
3. Offer should be submitted through registered EGYPTIAN AGENT and accompanied by the following:
  - a. Original of agency form 14C for review and copy of it attached with the offer.
  - b. Copy of receipt of purchasing the tender documents.
  - c. 2% at least (bid bond) unconditional bank guarantee issued from a first class bank and endorsed from a first class EGYPTIAN BANK to be increased to 10% in case of awarding contract.
4. Offers not complying strictly with terms will be rejected.

### NOTICE OF SALE OF HOTEL BUSINESS

On 20th June 1994 a formal offer to buy, with reference to the situation of assets and liabilities as of 31.12.92, was presented for 7,000 million Italian lire of the whole estate of the Società Albergo El Faro S.p.A., proprietor of the hotel of the same name situated in the Baia di Porto Cervo-Alghero (Sassari).

Whoever intends to better the offer must do so within the deadline of 27th July 1994, according to the procedure and conditions, relative also to the deposit, indicated in the sale procedures which, together with the copy of the offer to be bettered, will be given - c/o the "Valutazione e Cessioni" Office of SIR Finanziaria spa in liquidation, Via Grazioli 33, Milan, telephone (02) 66220752, fax (02) 6462249 - to every interested party offering the preliminary security requirements.

### PERSONAL

#### PUBLIC SPEAKING

Training and speech-writing by award winning speaker.  
First lesson free.  
Tel: (0727) 861133

## MEDIA FUTURES

# Coming soon to a tiny disc near you

Robert Patton looks at new video storage methods

Some of the world's top high-technology companies are now working on ways to put a high-resolution, two-hour film on a 3.5 inch disc that you can pop into your video Walkman or your multimedia player/computer/TV/game machine.

A key element in future multimedia systems will be the medium itself - the means by which files containing data and graphics are stored and retrieved. As any computer user knows, graphic data files can get extremely large. Even something as simple as a 3 x 10 colour portrait fills up tens of megabytes. And the same motion picture that fits nicely on a rental tape is far too big for the largest personal computer hard discs.

The high-tech industries of Japan, battered by the strong yen and devastated by plummeting consumer sales are looking for their next "killer" product. They need something to succeed the VCR. As the chairman of one high-technology company says: "Everyone has a VCR...and they never wear out." What is needed, both as a VCR replacement and a basic element of multimedia systems, is a data storage method that combines very large size with the breathtaking data transfer speed demanded by both real-time video playback and advanced 3D video games.

In the last decade compact discs, using optical recording techniques have completely supplanted the needle-and-groove recording technology that was introduced by Edison and survived, admittedly with sophisticated enhancements, for most of this century. Those same techniques can and have been applied to video recording. But there are problems. Pioneer's laser disc format has been on the market for years and still provides the only

alternative to video tape for high-resolution recording. But laser discs are large, cumbersome and unlike videotape, cannot be erased and re-used.

A consortium of consumer electronics makers in Europe and Japan, last year developed what they call the video CD. The same sized as a compact disc, it can play back pre-recorded movies on equipment designed for it. But video CDs have their own problems. They sacrifice resolution and picture quality and require two or three discs for a single feature film. Unlike videotape, they are not rewritable.

The not-yet-developed, next generation video storage medium must meet several requirements. In addition, there are features that, while not absolutely essential from a technical point of view, may be very important from the standpoint of market success. ● High resolution. The closer we get to the time when current video standards will be supplanted by high-definition TV, the less likely that the market will be satisfied with present standards of quality.

● High capacity. The largest hard disc drives currently available for personal computers can only store about 15 or 20 minutes of high quality video even using the latest compression methods.

● High speed. To play back full motion video in real time requires more than just the capacity to store the data. The

recorded data must be transferred at a sufficiently high rate of speed. MPEG-2, currently the most advanced compression standard requires a data transfer rate of nearly 10 megabits per second.

● Record capability. A major reason for the success of video tape cassettes is the ability to record as well as play back. Most industry watchers agree that laser discs would have a much larger market share if users could record material on them. Compact discs replaced records, but have not replaced audio tape cassettes for just this reason. And when Sony Corporation launched its mini disc (MD) format, it found a way to provide the ability to record as well as play back pre-recorded material.

There are currently three basic types of optical disc recording technologies. The first method, used for CDs, pre-recorded MDs and laser discs, impresses information onto a disc by burning pits into the recording surface. To get an idea of the size of these pits, imagine a CD blown up to the size of a football field. Each pit would then be about as large as a grain of sand. This type of disc has several advantages. Duplication can be stamped out at low cost, much as records used to be pressed. The discs are durable and can stand up to relatively careless handling. Capacity is comparable to a large hard disc drive.

CD-ROMs (compact discs used as read-only memory) are becoming quite popular with computer users and software vendors. But CDs can only be written once; they cannot be re-recorded and while more than adequate for audio applications, they lack the capacity to store and play-back full-length motion pictures on a single disc.

Magneto Optical (MO) discs, the second type, use both optical and magnetic recording techniques. Erasable and rewritable, they offer relatively high capacity up to about one-third that of a CD. To produce MO recording, Sony fell back on this technology. Pre-recorded MOs use the same basic technology as CDs. The smaller size is achieved by using different standards and methods for compressing the data on the disc. But you cannot erase a pre-recorded MO. Recordable MOs, even though they can be played back on the same equipment, use MO technology.

The third type is the phase-change optical disc which uses a laser at varying levels of power to alter the structure of the recording surface from an amorphous state to a crystalline state and vice versa. Phase change discs are fast and recordable, but current phase-change disc drives cost about five times as much as MO drives.

Matsushita Electric Industrial Corp. has been supplying

drives of this type to commercial customers for several years and recently announced technical improvements that could make it possible to put 6 gigabytes of data on a single 5.25 inch disc. Toshiba Corp. has no drives of this type on the market but last month demonstrated a prototype that had the capacity of a CD, was recordable and erasable and could record and play back 90 minutes of full-motion video with MPEG-2 compression in real time.

Other companies have been extending the optical disc state of the art in the last few weeks. IBM Corp. in the US, demonstrated in May an optical disc recording system that increased capacity tenfold. IBM's approach was direct, it simply combined ten discs into a composite sandwich. To write to or read from a particular disc in the sandwich the laser's point of focus is changed.

Which technology is going to emerge on top of the heap in a few years is hard to say. In addition to the basic types outlined above there are likely to be advances in technology that cut across several categories. A number of corporate and university laboratories around the world are in a race to develop a low-cost, low-power semiconductor laser that emits a blue-violet beam. Because blue light has a shorter wavelength than red, a blue laser could burn smaller pits into the surface of a CD. Smaller pits, spaced closer together take up less space. More pits equals more capacity, equals longer recording time. All optical recording systems use lasers so a commercially successful blue laser could increase the capacity of almost any optical recording system four fold.

Hitachi researchers just reported the results of an experiment designed to get blue laser results using con-



ventional red lasers. What the experimenters did was force light from a red laser through an optical fiber with a diameter that was only a tenth of the wavelength of the light beam. A high-tech version of passing a camel through the eye of a needle, the feat is admittedly many years from any practical application. But if successful, the method could be used to carve out pits from the recording surface of an optical disc that are even smaller than pits produced by a blue laser.

In May, Sony announced a breakthrough that could increase the capacity of any optical disc that stores information in the form of pits. In principle, what Sony research-

ers did is simple. Where conventional CDs vary the size and spacing of pits to record information, Sony's experimental makes the centre-to-centre distance between pits constant, then varies both the left and right edges independently. Because the new scheme allows a greater number of variations for each pit, it allows more information to be placed on a disc - at least twice as much.

Another significant element of future optical storage systems for video applications is data compression. Although data compression algorithms - the precise mathematical expression of the compression scheme - are quite complex, the underlying principle is simple. Both motion pictures and video recordings produce the illusion of motion by presenting a series of still pictures (frames) so fast that the human eye cannot detect the difference. But the difference between successive frames may not be large. Just as animated sequences do not require a new drawing for each frame, compression systems allow the recording of frame-to-frame changes. The idea is not to waste disc space on picture elements that have not changed from one frame to the next. MPEG-2 is the most advanced current standard, but newer methods will soon be coming. Stay tuned.

## The all singing, all dancing newspaper

By Raymond Snoddy

One new local newspaper produced last week has that most traditional of names - The Gazette & Herald. But that is one of the few traditional things about a very special paper, created by a collection of editors from the Westminster Press regional newspaper group, working closely with Digitrust, the communications research company that specialises in multimedia.

The colour picture of a transatlantic yacht on the front page, for example, had a rather unusual feature: you could hear the sound of the waves. And when the reader checked out the latest pop record charts it was possible to click on to clips of the actual records themselves.

Naturally when you turned to the classified advertising section it was easy to call up colour pictures of particular cars or houses you were interested in buying. All this is possible because The Gazette & Herald is delivered electronically to personal computers using data broadcast links.

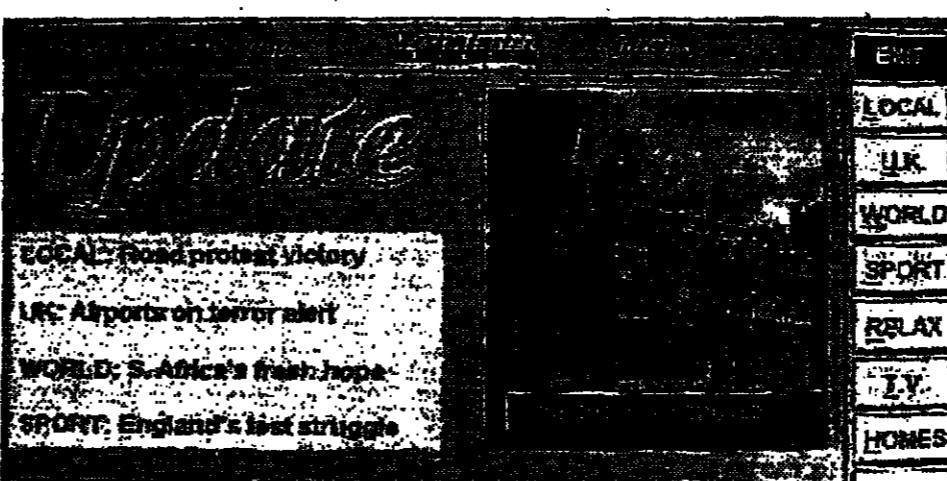
Using the conventions, and to some extent the design of an orthodox newspaper, the project is probably the most ambitious trial so far for an electronic newspaper in the UK. "Anytime you can receive good quality television you can receive this," says Peter Kruger, managing director of Digitrust, who has been working on digitalisation for more than a decade.

In the experiment, the latest news was transmitted by

modern from the Marlborough offices of the Wiltshire Gazette & Herald and brought together with information created by pupils at the St John's School in Marlborough.

The electronic newspaper trials, are part of a broader series of advanced communications projects run by Digitrust. In these programmes the Wiltshire school is connected by an integrated services digital network (ISDN) link with the Beckenham School in Greenwich, northern Germany.

Apart from swapping electronic newspapers and their own magazines, the two schools have facilities for video conferencing and on-line language translation. The experimental electronic newspaper was produced by Digitrust multimedia software. Called



News Interface section of the Gazette & Herald make-up screen

PictureBook, this is already on the market. The "authoring" system to put together the sound, pictures and data costs £295, while the special card in the PC needed to receive the service costs £99.

Kruger's other multimedia creations in the past have ranged from a system for hairdressers, which allows clients

to try out different styles on pictures of themselves, to car presentations that enables potential customers to "explore" a car on screen.

In the wake of the electronic newspaper, Kruger believes that commercial versions may be no more than three years away.

Meanwhile, he has in his

## Superhighway push by Europe

By Alan Cane

A group of leading Europe-based electronics manufacturers and institutions have formed an association to promote the development of multimedia technologies and services. The European Multimedia Forum, launched late last week, brings together computer manufacturers, telecommunications companies and publishers in a bid to facilitate the exchange of information and the development of business partnerships.

The members include the Association of Commercial Television in Europe, British Telecom, Compaq, France Telecom, Hewlett Packard, ICL, Mercury, Philips, Sema, Silicon Graphics and Sony. It said: "The forum will

encourage cross-industry synergies and function as an interface between business and government. In particular, the forum will concentrate on the implementation of a European Information Infrastructure (the European "superhighway").

Formation of the forum follows quickly on publication of the Bangemann Report, which urged European companies to seize the opportunities offered by multimedia. Membership is open to any size of organisation interested in multimedia. The annual fee is ecus500 for small companies and ecus1000 for large companies and organisations.

More information from Monique Mache, Bates & Wacker, 9 Rue du Montreux, B-1000, Brussels.

## ARCHITECTURE

### Music to the eyes

Colin Amery on the work of Christian de Portzamparc



Portzamparc: something of a hero.

To win a Nobel Prize in any field is considered to be the ultimate accolade for anyone's career. The equivalent award in the field of architecture is the Pritzker Prize, sponsored by the American Hyatt Foundation.

During the last decade it has honoured the good and the great of the architectural profession. It came as something of a surprise when it was awarded last week to the relatively unknown 50-year-old, French architect, Christian de Portzamparc. He is the first architect of the post war generation to win the prize, and the first Frenchman.

For enthusiasts of the relatively arcane in contemporary architecture, Christian de Portzamparc is already

something of a hero, and it is possible to bring yourself up to date with his relatively small output of work by visiting five sites in and around Paris. When Portzamparc spoke at the prize giving ceremony in Columbus, Indiana he said that his "interventions" in cities are what he regards as his key works. He speaks lovingly of cities and the need for architects to think urbanistically in ways that can refresh and civilise our cities.

On the Rue Nationale in south east Paris he is rehabilitating a series of blocks of public housing built in the 1960s. These blocks are typical of so many that were built at that time - 12 to 14 storeys of rigid and dull concrete frame building - uniform and soulless.

In Britain and the US the current mood would demand that these structures were demolished. Instead, in Paris, new balconies, white and yellow awnings have been added, together with some new low-rise buildings to house a community centre and a school.

Just off the Rue Nationale itself, in the Rue des Hauts-Pavés, Portzamparc has built arches across the street to soften the effect of some housing built in 1978, to attempt to create a sense of an enclave that is enhanced by trees and traffic.

But these minor changes are not a lot more significant than a touch of lipstick on the lined face of an elderly and faded blonde, and scarcely enough to merit a major international prize.

It is the few completed Portzamparc buildings that justify the prize. The City of Music - a conservatoire in the far north east of Paris - is designed by Portzamparc as part of the Parc de la Villette, one of the last of the Grands Projets intended to make Paris the cultural and educational centre of Europe.

This is the best place to see the work of this architect. He has adopted a hybrid modern style that seems to look back to the 1930s in its curvilinear language and yet it is, in its random geometry very much influenced by Le Corbusier. It is a very curious and disturbing

marriage of styles - the Portzamparc designed Holiday Inn near the same site is a sinuous green slab that would look very much at home in Miami.

It is the second phase of the City of Music that has just been completed. It comprises an elliptical concert hall which has an amazing sprawling lobby all round it. The rather tough and angular entrance facade belies the elegance within - the recital rooms have curved walls and the hall itself is simple but very stylish.

The large conical recital room that looks like a streamlined ship's funnel has a quite remarkable interior. The ceiling soars upwards into the cone shaped roof and is panelled with timber in a pattern that resembles the roof of the Pantheon. It is an almost ritualistic space, the concert platform is like the altar and the audience a congregation, drawn together by the unexpected intimacy of this large space.

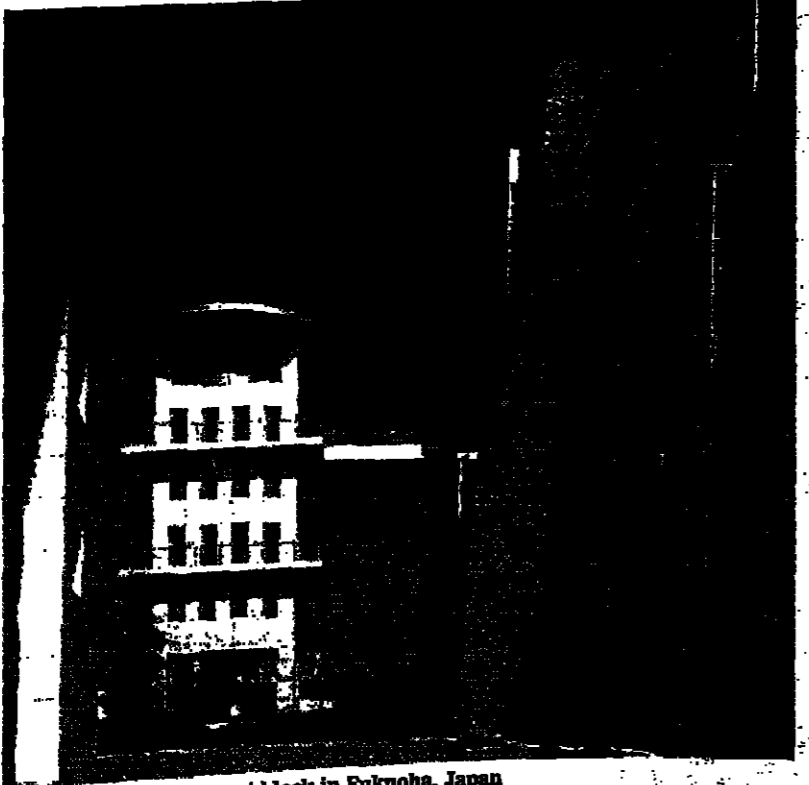
A very accessible example of his work is the Cafe Beaubourg which adjoins the Pompidou Centre. He has installed a sweeping grand staircase - all 1980s - and the cafe occupies two large floors decorated with murals of Portzamparc's actual designs. Another key public building where his work can be seen is the addition to the Bourdelle Museum which houses a collection of classic art sculpture.

Outside Paris is his School of Dance for the Paris Opera at Nanterre - a pair of post-modern pavilions. Further afield is his apartment block - a square tower with a circular roof - in Fukuoka in Japan.

What is apparent from all his buildings is that he is full of architectural ideas. They have not yet gelled into a coherent Portzamparc language. His work is very hybrid and is still evolving. He only opened his office in 1970 and 24 years is not long in the life of an architect. Despite this major prize, I would say the jury is still out on whether he is simply a stylist or whether his architecture is of such significance that it will change people's lives.



City of Music: hybrid modern style that seems to look back to the 1930s



Further afield: apartment block in Fukuoka, Japan

## BUSINESS TRAVEL

## BA and TWA fare sale

British Airways and TWA have announced a sale for fares between several US cities and the UK. British Airways' offers represent a 33 percent to 47 percent reduction on normal fares. Reservations must be made by midnight Monday on both airlines. Travellers must depart between August 1 and September 7, and complete their trip by September 14. A Saturday night stay is required.

## India bans alcohol

The Indian government said yesterday it was banning alcohol on all domestic flights with immediate effect because drunken passengers threatened safety.

Quoting Civil Aviation Minister Ghulam Nabi Azad, the Press Trust of India said a notification banning consumption of liquor on domestic flights was being issued.

"We are taking this step in view of the number of incidents reported when passengers had become intoxicated during flights posing hazards to flight safety," Azad said at the end of a two-day meeting of his ministry officials.

## Lufthansa and Orly rights

Lufthansa supervisory board chairman Juergen Weher said Lufthansa is set to make a request for landing rights at Orly airport, Paris, for the Frankfurt to Munich route. "It would be astonishing if the French refused the Germans what they had agreed with their English friends," he said. In an interview with *Le Monde* he said that Lufthansa wants to focus on its core air operations and may dispose of its building and software activities, setting up subsidiaries for cargo transport, electronics and ground services.

## Ryan routes

Ryanair, the fast-growing independent Irish airline, is to open a new "low-fares-no frills" Dublin-Gatwick route from October, with a schedule of up to six flights per day. Return fares will start at £89. The airline has pioneered low-cost air travel across the Irish Sea and last month added Manchester and Glasgow Prestwick to its list of UK destinations out of Dublin. Aer Lingus, British Midland, Flyair and Virgin are all now competing intensely for business in the Dublin-London air travel market; the second busiest in Europe, so travellers should check with each to see what special offers are available.

## Russian crime guide

The Russian government has issued a "survival guide" for foreigners on how to avoid crime, warning them not to deal with shady businessmen and not to accept lifts or drinks from strangers. The interior ministry said in a pocket-sized guide, which will be sent to embassies, that almost half the 5,000 offences against foreigners uncovered over the last year were the result of carelessness. Last year, 62 foreigners were murdered. In the first five months of this year, which covers the former Soviet republics were included, 65 were killed.

## British rail strike

A strike planned for Wednesday by British railway signal staff could severely disrupt train services for the third time in as many weeks. The staff are staging weekly one day strikes over a complex pay and productivity deal. Railtrack, which operates the rail infrastructure, has been able to run only limited services during both of the previous one day strikes.

## Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
London	18-22	18-22	18-22	18-22	18-22
New York	20-24	20-24	20-24	20-24	20-24
Frankfurt	15-20	15-20	15-20	15-20	15-20
Paris	16-21	16-21	16-21	16-21	16-21
Amsterdam	14-19	14-19	14-19	14-19	14-19
Stockholm	12-17	12-17	12-17	12-17	12-17
Oslo	11-16	11-16	11-16	11-16	11-16
Stockholm	12-17	12-17	12-17	12-17	12-17
Oslo	11-16	11-16	11-16	11-16	11-16
Stockholm	12-17	12-17	12-17	12-17	12-17
Oslo	11-16	11-16	11-16	11-16	11-16

## All the fun of low fares

Richard Tomkins explains how to track down cheap US flights

Put the US airline industry. Hardly a day seems to pass without news of another US carrier slashing fares on short-haul domestic routes in an attempt to preserve market share from low-cost competitors. For most airlines, the prospect of a decent profit looks as far away as ever. But what is bad news for the industry is good news for the cost-conscious business traveller. Although air fares in the US may not have sunk to the depths they plumbed in the fare war of summer 1992, they still represent a bargain.

How, though, to take advantage of them? Many must have heard about the fare wars being made into the big US airlines' markets by upstart, low-fare carriers with names like Kiwi International, UltraAir or Republic Air, and wondered how to book with them.

Cut-price fares in the US fall into two main categories. The seasonal promotions frequently offered by big carriers on selected routes are almost useless to business travellers, because they commonly require advance booking and Saturday night stay-overs, they are ineligible for exchanges or

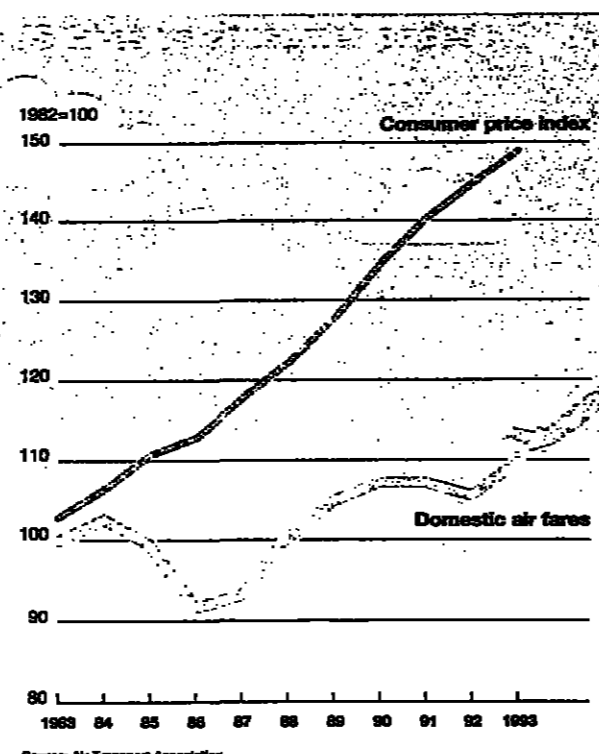
refunds, and the number of tickets is rationed. But on the routes where low-cost carriers are in operation, rock-bottom fares are a permanent fixture on all flights, and rarely carry any restrictions.

Booking with these low-cost carriers should be easy. Unlike People Express, the low-cost US airline of the 1980s that tried to save money by cutting out the travel agents, nearly all today's low-cost carriers are on the travel agents' computer reservations systems. So theoretically, once inside the US, it is just a matter of finding the nearest agent and asking.

Predictably, though, things are not always quite that simple. So here are a few tips:

● Travel agents work on commission, so obviously they earn less by selling you a cheap ticket than an expensive one. The American Society of Travel Agents bristles at suggestions that any of its members would be swayed by such considerations but, to be on the safe side, deal with a reputable agent and make it clear that you are looking for the lowest-cost option.

● The biggest low-cost carrier - Southwest Airlines, the one that started it all - is not on



three of the four big computer reservation systems, so some travel agents may not automatically quote its rates. Ask whether Southwest flies the route you want and, if you run into difficulties, dial Southwest direct on 1-800-435-9792.

● Do not be too surprised if there is no low-cost option on your chosen route, particularly if you are flying in the east. The really low fares have still reached only about 20 per cent of domestic routes and most of these are in the south and west

The choice of carriers is increasing rapidly, says Victor Mallet  
Variety of voyages to Vietnam

British Airways has become the latest international airline to begin negotiations for flights to Vietnam. The fast-growing Vietnamese economy and expanding tourism industry are making it an increasingly attractive destination for air freight and passenger services. BA hopes to start flying twice a week between London and Ho Chi Minh City, the southern commercial centre, in the first half of next year. The flights may go via Hong Kong, rather than more directly through Bangkok, to fit in with BA's other flight schedules.

Air France, Lufthansa and KLM (all using combination Boeing-747s for both passengers and cargo) already fly between western Europe and Vietnam, while Vietnam Airlines, the national carrier, begins flights to Berlin and Paris via Dubai in July. Several Asian airlines fly to Vietnam, while Gulf Air and Emirates from Abu Dhabi and Dubai are expected to start flying there soon.

US airlines are also negotiating with Vietnamese and US



Ho Chi Minh City: BA plans to fly there twice a week from London

authorities for traffic rights. There are 1m ethnic Vietnamese living in the US, and travel between the two countries is increasing following President Bill Clinton's decision in February to lift the US economic

embargo against Vietnam.

Vietnam's communist government is liberalising its air transport system, along with the rest of the economy. Foreign airlines will be able to issue their own tickets in Vietnam - previously only three airlines were allowed to do so, and the rest had to refer customers to Vietnam Airlines. The government also plans to end subsidies for Vietnamese citizens on domestic flights - locals pay less than half the fare charged to foreigners.

Other opportunities have also arisen for airlines. Air France is leasing, with crews, Airbus and ATR propeller aircraft to Vietnam Airlines for domestic and international flights. And there are plans to improve the main airports. The government says Tan Son Nhat, the busiest airport, needs \$1.8m worth of upgrading in the next two decades.

## Regional savings

Paul Betts on a UK airline's initiative

Journeys must be completed within three days of departure. Normally, a journey from a regional UK airport connecting in London with a flight on another airline to a destination in Europe would have two separate fares for the different legs of the journey. These three-day executive return fares were introduced

on British Midland's London Heathrow services to Europe last year, when the airline launched its Euroclass, offering a flexible range of business class fares. They have now been extended to British Midland UK regional services in conjunction with the three European airlines.

British Midland recently formed a ticket code-sharing alliance with Austrian Airlines, and is expected to forge similar code-sharing agreements with Alitalia and Iberia.

**THE AMERICAN EXPRESS** "I must have eaten something weird, can you help me find an English speaking doctor" SERVICE.

There are no easy names for the kind of service we've given our Customers over the years because every day everywhere around the world, so many of our Service Representatives have gone beyond the call of duty to solve problems not just about lost cards or travel arrangements, but about the unbreakable nature of life. And sometimes, they've even solved a problem without a paddle or a downturn without a hint of anger. Express is there for you and ready to be of service. Whatever name you want to give it.

**THERE IS ONLY ONE AMERICAN EXPRESS.**

John Collier

## OPENINGS

## BERLIN

Rehearsed by many as the greatest living conductor, Carlos Kleiber joins forces with the Berlin Philharmonic to perform a concert in honour of the departing German president, Richard von Weizsäcker, on his last night in Berlin. The programme includes Mahler's 9th, a solo recital by the Berlin Philharmonic, and a performance by the Berlin Philharmonic.

## CARTER/THOMAS

For 50 years this spot town has offered a general audience for a festival celebrating the work of living composers, mostly British. The highlights of this year's festival include the premiere of Judith Weir and Thea Musgrave's *Visiting Cards*, a new work by the British composer and her husband, Thomas, and a new work by the British composer and her husband, Thomas.



The diverse talents of Bob Dylan, the Atlanta Symphony and the opera orchestra of Houston. A major highlight this year is the 50th anniversary celebrations of the Velvet Underground and the appearance of its entire roster on one bill, across two nights.

## ARTS

**AMASSADORS THEATRE**  
Although "Gloria", its controversial production on the sex war, has just ended its extended West End run, David Mamet is still to be found on London stages. "Glengarry Glen Ross" recently opened at the Donmar Warehouse, and his latest play, "The Cryptogram", a study of family betrayal, opens on Wednesday at the Ambassadors Theatre, starring Lindsay Duncan (below left) and the award-winning comedian Eddie Izzard.



## TANGLEWOOD

The summer season at Tanglewood, in the heart of the Massachusetts countryside, begins on Friday with the first of a series of Independence Weekend events featuring Wynton Marsalis, Elza Minkoff and Nanci Griffith. Tanglewood's new concert hall will be inaugurated on July 7, when the Boston Symphony Orchestra takes up residence for two months of concerts. Artists appearing with the orchestra this summer include Jessye Norman (above), Gidon Kremer, Bernard Haitink and Mariss Jansons.

## SADLER'S

The Cape Ballet from South Africa makes its European debut on Tuesday when it opens a two-week season at Sadler's Wells. First offerings are "Hamlet" followed by "Orpheus" in the Underworld.



# Warning: music can damage your health

Muscle strain, alcoholism and stress-related illnesses are afflicting British orchestras, reports Garry Booth

**M**usic hath charms to soothe a savage breast, to soften rocks, or bend a knotted oak, said Congreve. But it can have the opposite effect on the player. The pressures of finding and keeping work in music, maintaining tough practice regimes and keeping anti-social hours can have serious implications for the physical and psychological health of a professional musician.

Cast an eye over the orchestra at the next concert you go to. Look at the strings and pity the poor viola player: a questionnaire circulated recently among the string players in the major orchestras showed that 80 per cent of viola players suffer from upper limb disorders. Many, because they usually sit in front of the brass, have damaged hearing from years spent in the firing line. Brass players have their own serious (and common) problems, usually to do with the embouchure. Players in their thirties and forties often experience inexplicable and hard-to-cure muscle control difficulties which make it hard to reach the higher notes.

Look at the soloist: so severe is stage fright for 15 per cent of orchestral musicians that they routinely take beta-blockers to steady the hands when performing. In every symphony orchestra, an average of four members will be fighting alcohol dependency, acquired in an effort to drown stage fright.

Dr Ian James, a consultant physician and clinical pharmacologist at

the Royal Free Hospital in North London, runs the performing arts clinic there. He holds one session a month, which is consistently overbooked and currently has a three month waiting list. Most of the cases he sees, if not directly related to "nerves", are exacerbated by the psychological pressures of the job. Clearly, worries over funding, the threat of mergers and closures and changing standards of orchestral playing are not helping. "Musicians can't afford to wait for treatment. They work in a competitive environment and will not take the night off for fear of losing their place. They live in a closed community, practising by day and playing by night."

A helpline set up earlier this year by the British Performing Arts Medicine Trust (BPAMT), which Dr James helped found, takes up to half a dozen calls per day from musicians with occupational health problems. The majority of these calls are from people suffering from muscle pain in the wrist, shoulder and fingers. Upper limb pain, sometimes inaccurately referred to as RSI (repetitive strain injury), is a common problem, especially among string instrumentalists, guitarists and pianists. Dr James believes the causes of musculo-skeletal disorders in musicians have as much to do with technique and anxiety as the repetitive nature of say, violin playing (six hours practice a day is the average

for string players) or the working environment.

Pit orchestras, such as the ENO, for example have special problems, allowing room being in short supply. Surprisingly, Dr James does not prescribe rest and splits for upper limb pain but is more likely to suggest corrective measures for bad posture - the Alexander technique or the Feldenkrais method, for example. In addition he will try to find the cause of muscle tension: incorrect technique, or anxiety are likely causes. "But don't stop playing - play to the point of pain every day," he advises.

Upper limb pain is not confined to stressed out professionals, however. Alex Scott, administrator of the BPAMT, is concerned at the number of young musicians and students who seek counselling through the helpline: "We encounter talented teenagers who are forced by parents and teachers to practice too long without a break. Apart from the direct physical implications of playing so much, it means that the youngster is not doing other exercise or satisfying other social needs."

But it is the professionals who suffer most for their art. And with too many musicians chasing too few jobs, many are reluctant to take their problems to management or campaign for better working conditions. "Concert schedules are particularly demanding in the UK," says Dr James. "Compared to European orchestras, ours play twice as many concerts but have a quarter of the rehearsal time to get it right. If a musician can't withstand that kind of pressure then they're out."

Often, the anxiety is contagious. Dr James has found instances of a new, dynamic principal joining an orchestra whereupon the rank and file of the same section immediately succumb to musculo-skeletal disorders. "Similarly, we recently found that a group of young sufferers coming to the clinic had the same tutor in common - and he himself had a problem with muscle pain too," Dr James says.

Patients contacting the BPAMT or attending the performing arts clinic are assured confidentiality and will benefit from more specialised knowledge and sympathy than a GP can offer. But Scott says that increasingly health authorities are refusing to pay for extra-contractual referrals to special clinics



## Theatre/Martin Hoyle It's a mad, mad, Ken Campbell

**A** mad world, my masters. Especially when Ken Campbell discourses on it, and ranges from drinking other people's spinal fluid with vodka to getting their thoughts ("like getting other people's snaps from Boots") to quantum physics. To judge from *Mysterious Bruises* at the Almeida Theatre, Islington, his scavengeings through the mind's litter-clogged laybys are, if anything, madder than ever. But there is a new gentleness about him. Bursts of manic gargoyle glee are undercut by almost embarrassed throwaway reticence which is just as funny. As ever, the apparent red herrings, wild geese and shaggy dogs that roam the moonstruck prairie of his intellect are logically linked and neatly come full circle, through whatever hoop, U-turn or lateral flea-leap on to another juicy subject he casually urges them.

Campbell has stepped in, following the premature demise of the Almeida's previous production. As he gracefully puts it, the theatre rang him to say: "the bollocks we've got on at the moment have been rumbling." He speaks about theatre - the art, the craft, the bollocks - with brief homage to "tubby and caring" Peter Brook ("we miss Jess Yates, don't we?"), he adds, wickedly inconsequential; a talking dog that told "an utterly constructed narrative of the horror genre" sounding like Sir Herbert Beerbohm-Tree; and, disregarding theatrical superstition, dwells on productions of *Macbeth* he has known. In *Stoke-on-Trent* (1964) he played the Porter as if suddenly aware of the audience, with an amazement reserved for time travellers. He adopted a Method approach for Colchester (1967), deducing from clues in the text that the character of Angus was a flatulent dwarf, probably opting for bonafide disguise in Burnham Wood. I fear he may never be a company man as the term is understood in the British Recess.

But the two-hour traffic jam of his stage begins and ends with science. Ejaculating polyfilla canisters are to this set what candelabra were to *Liberace's*. Campbell thoughtfully provides the front row with covering in case the spouting substance gets into the spectators' pores before hammering a nail into the "disenfranchised self" of the aerosol and letting it gush. This leads easily - as easily as anything is led in a Campbell ramble - to the space-time continuum. He ends the show with physics, his nonsense firmly researched, impeccable authorities quoted (and mocked). "I'm not making this up, you know," as comedian Anna Russell would reproachfully remark when outlining the plot of Wagner's *Ring*. Mad world, mad kings, mad composition; and, thankfully, maddest of all is Ken Campbell.

like Dr James's and the trust is examining ways of overcoming this reluctance. Classical musicians employed by the major orchestras have a better chance of specialist consultation though. The trust, backed by the Musicians Union, has recruited a network of 35 volunteer doctors and now each orchestra has two specialising doctors assigned to it. The trust also takes the lead in promoting better workplace conditions. Noise induced deafness among

brass players and percussionists is a prime concern, especially in the confines of a pit orchestra. The trust is undertaking research work to design an ear protector which excludes damaging frequencies without impairing the ability to play. But it is stress, and its physiological manifestations, which beset the majority of professional musicians at some time. "The psychological pressures faced by professional musicians have become enormous,"

says Dr Kenneth Lewis, who is attached to the LSO on a voluntary basis. More secure than most, the LSO is a happy orchestra he says, but still he attends to a string of stress-related problems - from asthma and difficulties with circular breathing to fingers made slippery with anxious perspiration. "The question all musicians ask themselves each night, is 'will this be my last job?'" Dr Lewis says, "and that affects both their playing and their health."

## INTERNATIONAL ARTS GUIDE

## BERLIN

Philharmonie Carlos Kleiber conducts the Berlin Philharmonic Orchestra in the Federal President's concert tomorrow, featuring works by Beethoven, Mozart and Brahms. Sergio Commissiona conducts the Berlin Radio Orchestra on Wed in works by Berlioz, Saint-Saëns and Mahler, with cello soloist Otfar Harnoy and soprano Edith Wiens. Rafael Frühbeck de Burgos conducts the Orchestra of the Deutsche Oper on Thurs in Berg and Mahler, with mezzo Doris Soffel. Il Gardino Amorico plays a Bach programme on Sat, and the Akademie für Alte Musik Berlin joins forces with the RIAS Chamber Chorus on Sun for Bach's B minor Mass (2548 8132). Sopranos under the Linden Anna Staatsoper sing the Countess Tomorrow-Singapore of Jonathan Miller's 1993 production of *Capriccio*. Repertory also includes *Anadine auf Naxos*, *Il barbiere di Siviglia* and the Berghaus production of *Pelléas et Mélisande* A new

## NEW YORK

## THEATRE

Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Saldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 78th St, 239 6200). Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Poetry in Motion*, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200). Four Dogs and a Bone: John Patrick Shanley's satirical comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782). Laughter on the 23rd Floor: Neil Simon's 27th Broadway play,

about a group of writers trying to come up with a new show, is one of his best comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 48th St, 307 4100). The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200). An Inspector Calls: J.B. Priestley's 1947 mystery thriller in an award-winning production from Britain's National Theatre, directed by Stephen Daldry (Royal, 242 West 45th St, 239 6200). Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200). Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239 6200). Damn Yankees: the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Geena Neuwirth as Lola. The director, Jack O'Brien, has extensively re-written the story, about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 46th St, 307 4100). Crazy for You: the musical based on Gertrude Stein's *Crazy* recently passed its second anniversary on Broadway. A highlight of this giddy entertainment is Susan Stroman's

choreography (Shubert, 225 West 44th St, 239 6200). DANCE/MUSIC Avery Fisher Hall The Lincoln Center's summer concert series, the Mostly Mozart Festival, opens on July 5 with a programme featuring baritone Thomas Hampson in Mozart arias and Shura Cherkassky playing Chopin. The festival runs till Aug 20 (875 5030). Metropolitan Opera The Royal Ballet opens a two-week season on July 6 with Anthony Dowell's production of *The Sleeping Beauty*. The season also features MacMillan's *Mayerling* and a mixed bill including Ashton's *A Month in the Country*. This is the Royal Ballet's first visit to New York since 1991 (362 6000).

## JAZZ/CABARET

Highlights of the JVC jazz festival this week include Dick Hyman tonight at the Town Hall, the Carnegie Hall Jazz Band and Lincoln Center Jazz Orchestra tomorrow at Avery Fisher Hall, pianists Roland Hanna and Barry Harris at the Town Hall on Wed, and a free late afternoon concert at Bryant Park on Thurs featuring Mingus Big Band, Chico Freeman quintet, Jay Hoggard band and the trio of two terrific young pianists, Cyrus Chestnut and Jacky Terrasson. Guest artists at Carnegie Hall and Avery Fisher Hall over the weekend include Gerry Mulligan, Gilberto Gil, Caetano Veloso, Tito Puente, David Sanborn and Ronny Jordan (Avery Fisher Hall: 875 5030. Carnegie Hall: 247 7800). Sensuous R&B singer Cassandra Wilson works her blue magic on Wed and Thurs at Bottom

Line, 15 West 4th St (228 6300). Singer and pianist Kurt Wiering begins a two-month engagement tonight at Carlyle Hotel, Madison Ave at 78th St (744 1600).

## PARIS

## DANCE

Paris Opera Ballet has a programme of 20th century classics tonight and tomorrow at Palais Garnier, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan. This is followed on Sat by the San Francisco Ballet: its week-long residency features two mixed bills, including choreographies by Balanchine, Mark Morris, Helgi Tomasson and Agnes de Mille (4742 5871). The Nureyev production of *La Bayadère* is revived on Wed for a two-week run at the Bastille (4473 1300). Compagnie Philippe Genty is in residence at Théâtre de la Ville till Thurs (4274 2277).

## OPERA

Regis Carmel runs till July 23 with changing casts including Marta Serrn/Kathryn Harries/Beatrice Uria-Mortzon in the title role, Sergey Larin/Alberto Cupido/Daniel Galvez-Vallero as Don José and Alan Varnhes/Gino Quilico/Harry Peeters as Escamillo. Jose-Luis Gomez's staging is conducted by Serge Baudo/Cyril Diederich. This week's performances are tomorrow and Fri (4473 1300). Opera Compagnie Roberto Alagna and Nuccia Focile head the cast in Gounod's *Roméo et Juliette*, conducted by Michel Plasson and staged by Nicolas Joel. This week's

performances are tomorrow, Thurs and Sat, with three further performances next week (4288 8883). Châtelet A new production of Wagner's *Ring* has just opened, in a staging by Pierre Strasser, conducted by Jeffrey Tate. The cast is headed by Robert Hala, Sabine Haas and Karen Huffstodt. There are performances of *Das Rheingold* on Wed and Sat, and *Die Walküre* on Thurs and Sun. The final two parts of the cycle will be staged in October (4028 2840).

## CONCERTS

Salle Pleyel Tomorrow: Lelf Segerstam conducts Orchestre de Paris in works by Koehlin, Ravel, Aubert and Dukas, with piano soloist Claude Helffer (4561 0630). Saint-Denis Tomorrow (Basilique): Jean-Claude Casadesu conducts Orchestre National de Lille in a Mahler programme, with vocal soloists José van Dam and Veronica Cangemi. Thurs: Marek Janowski conducts Orchestre Philharmonique de Radio France in a Schubert programme, with vocal soloists including Lillian Watson, Nathalie Stutzmann and François Roux. Fri (Légion d'Honneur): Des Des Bridgewater and Harlem Boys Choir (4813 1212).

## JAZZ/CABARET

Janis Carter, the versatile American singer and comedienne, opens a two-week residency tomorrow at Lionel Hampton Jazz Club. Music from 10.30pm to 2 am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

## ARTS GUIDE

Monday: Performing arts guide city by city.  
Tuesday: Performing arts guide city by city.  
Wednesday: Festivals guide.  
Thursday: Festivals guide.  
Friday: Exhibitions Guide.

## European Cable and Satellite Business TV

(Central European Time)  
MONDAY TO FRIDAY  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY  
NBC/Super Channel: FT Reports 1230.

TUESDAY  
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY  
NBC/Super Channel: FT Reports 1230

FRIDAY  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

SUNDAY  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730.

## Why the dollar may be oversold

President Bill Clinton is right to argue there is something puzzling about the degree of downward pressure on the dollar. Currency crises usually erupt when an exchange rate has been held at an artificially high level for too long or when the economic outlook is clouded by some grave imbalance. Neither condition applies in the US today, so the dollar may prove more resilient than some "gurus" expect.

By most objective criteria the dollar is undervalued rather than overvalued, absurdly so in the case of the yen. And, as Mr Clinton has stressed, the economic fundamentals are neatly encouraging. The US economy has been growing since early 1991. Businesses are expanding industrial capacity; gross fixed investment rose 12 per cent in the year to the first quarter. Productivity growth and corporate profitability are impressive. And, although the prices of some commodities are rising, upward pressure on wages and consumer prices remains quite subdued.

Some investors believe that growth prospects are better still in Europe and Japan, which are only just emerging from recession. But recovery in these regions could easily falter (as happened in the early stages of the US upturn), especially if the yen and D-mark soar to ridiculous levels. Currency volatility aside, it is rash to assume that returns on investment will exceed those in the US, where growth is so much better established.

Pundits in small, open economies such as the UK underestimate the US's ability to ride currency storms. The "failure" of concerted intervention on Friday has not created a national crisis, as it might have done in Britain. The front pages of the Sunday Washington Post and New York Times contained no reference to the dollar. This reflects the instinctive view of most Americans that their economic futures will be determined mainly by their own efforts in this hemisphere. There is some concern that a falling dollar may push up long bond yields and hence mortgage rates. But most observers here are guessing



MICHAEL PROWSE  
ON AMERICA

that, with yields already 4.5 per cent in real terms, the bulk of the adjustment has already occurred.

Trade (the average of imports and exports) accounts for only about 11 per cent of US national income, and much of that is with Canada and Mexico, nations whose currencies are closely linked to the dollar. The US thus thinks and acts much as the European Union would do if it ever manages to create a single currency. Much of the point of a single currency is to prevent Europe being buffeted by adverse international trends; the US has been in that happy condition for 200 years.

But surely the US is vulnerable because it is a net international debtor, having run a trade deficit for many years? This is a small problem. The net debt is still tiny relative to the size of the US economy. The trade deficit has expanded sharply since last year but this mainly reflects growth differentials among the leading economies. This year it will reach only 2 per cent of GDP, far below the 3.5 per cent peak hit in the mid-1980s, and quite manageable in a world of mobile capital. Since US exports are likely to grow rapidly as growth accelerates in Japan and Europe, the deficit may shrink next year.

Markets should also note that the Clinton administration is, finally, clarifying its policy on the dollar. Until recently traders assumed that if talks on opening the Japanese market were going badly, the US would favour a stronger yen as an alternative way of squeezing the Japanese. Sometimes senior officials directly encouraged such an interpretation. "I'd like to see a stronger

yen," Mr Lloyd Bentsen, the Treasury Secretary, told reporters at an infamous meeting at the National Press Club last year.

That kind of rash talk is now history. The yen has appreciated 18 per cent since Mr Clinton took office — enough for anybody. Accordingly, in early May, Mr Bentsen said he saw "no advantage in an undervalued currency". Late on Friday afternoon, a senior Treasury official (no prizes for guessing whom) took the new policy one step further. An agreement on Friday, he said, "to demonstrate that it prefers a stronger dollar". Underlining the point, he added: "It is our view and the G7's that further appreciation of the mark and yen would be counterproductive for global recovery." It is safe to assume that Mr Bentsen will also soon speak of "preferring a stronger dollar".

The US view is that Friday's intervention did not fail because it was intended to send a message rather than dramatically alter exchange rates. The message is that the US and its Group of Seven partners do not want the dollar to fall further. Markets, of course, are at liberty to ignore this advice.

But if they do, US officials are unlikely to panic. The US lived through an extraordinary appreciation of the dollar in the mid-1980s; it is equally capable of handling an erratic depreciation. Indeed some officials probably regard depreciation as the lesser evil as it would accelerate the shift in resources from services to manufacturing.

The Federal Reserve is less worried about dollar depreciation today than in the "Carter crisis" of late 1970s because growth is solid and inflation is under much better control. There is little chance that the Fed will jack up interest rates sharply in order to "defend" the currency. That would simply play into the hands of speculators who would never be satisfied. It is likely, instead, to focus mainly on the outlook for US inflation and growth. Rates will rise further, but as part of the measured tightening of monetary policy underway for domestic reasons.

Rarely has there been a week in Hong Kong which promises so much as this one. Britain and China may be close to striking two agreements — on the financing of the colony's new airport and on the use of military land after Chinese sovereignty resumes in 1997. These are vital to the welfare of the colony and its 6m inhabitants.

In addition, on Wednesday Hong Kong's Legislative Council (LegCo) debates Governor Chris Patten's plans to increase democracy ahead of the transfer and will settle, finally, whether to accept his proposals for the last elections under British rule, or adopt a watered-down version.

The juxtaposition of these events must be encouraging for Mr Patten. An agreement on the airport used to be thought by his critics to depend on Britain capitulating on his political reform package. Yet China, which has fought hard against the governor's proposals, seems to have confounded the experts and separated the political and economic issues.

This apparent change of heart — though few would be more optimistic until the airport and military land deals are actually agreed — suggests that in the past Britain may have misjudged Beijing's strategy towards Hong Kong. It would be foolish to believe that all problems dividing the UK and China will be miraculously solved if agreements over airport finance and military land are struck. But the official advice British ministers were used to receiving suggested that such deals would have been impossible: ministers were told that China would not subordinate political interests to Hong Kong's economic concerns.

Beijing's leaders have shown themselves to be much more pragmatic than these advisers expected. They realise that in three years they will take charge of one of the most highly developed economies which produces the equivalent of a quarter of China's output in a territory just 0.01 per cent of the mainland's land mass. Beijing knows that managing the transition will be considerably more difficult without Britain's co-operation.

It is not surprising, therefore, that China should want to see the completion of two large, complex civil engineering tasks: the construction of a new international airport at Chek Lap Kok to replace Hong Kong's crowded Kai Tak air-

## Pragmatism in a rocky relationship

Simon Holberton says practicalities are becoming more important in Anglo-Chinese talks on Hong Kong



Artist's impression of Hong Kong's controversial new airport, and, inset, the governor, Chris Patten.

port; and a naval base on Stonecutters Island, in Victoria Harbour whose construction depends on a deal over the future use of military land.

Beijing's new enthusiasm for agreement has no doubt been helped by the concessions it has won from Britain.

On the airport project, Beijing has, during two years of negotiations, persuaded the Hong Kong government to increase the equity it will invest in the HK\$3.3bn airport and connecting railway project from HK\$1.4bn to HK\$2.3bn. The remainder, to be financed by long-term borrowing, has been cut by the corresponding amount to about HK\$2.3bn. China has been determined to minimise the amount of public debt it will inherit in 1997 — so the project will be financed with a far higher proportion of equity than would be considered financially prudent in most developed countries.

After a bilateral meeting on Friday, the British and Chinese sides instructed officials to draft a detailed agreement. The main sticking point is the form of words China will use to reas-

sure bankers that lending to the airport and railway corporations will be secure. There is optimism that agreement can be reached through omnibusly. It is the same obstacle that Britain failed to surmount in secret talks with China three years ago during an earlier attempt to secure the airport's future.

The gains Beijing has made in its talks with Britain over-

**Beijing knows the transition will be more difficult without Britain's co-operation**

military land have not been made as public. But China is believed to have forced the British into accepting that a larger portion of current military sites should be transferred to the People's Liberation Army, rather than handed over to the Hong Kong government for re-development.

In addition, the Hong Kong government will build a 400 square metre part off Stonecut-

ters Island for the PLA navy.

The stalling point has been an apparently technical point: whether Britain will agree to act as a "guarantor" of the project. In the extremely unlikely event of LegCo refusing to vote the approximately HK\$3.5bn needed to build the new base and refurbish other military sites that China will inherit, British and Chinese officials meet again today for further discussions. The result of a long negotiating session over the weekend suggested the Chinese may have drawn back from an early settlement.

With their sense of history, the Chinese may agree to postpone a deal until at least Wednesday when the Black Watch regiment of the British Army "beats the retreat" for the last time in Hong Kong, marking the end of almost 150 years in which at least one British regiment has been stationed in the colony.

That could mean a deal on military land coinciding with the LegCo vote on Mr Patten's democracy legislation. His plans would make LegCo more representative of the colony's population. Like the airport

and defence territory deals, the outcome of the vote hangs in the balance. Mr Patten's advisers calculated over the weekend that they had only 26 certain votes, out of a LegCo membership of 60, for his bill — although they are confident three or four other legislators can be persuaded to vote with the government.

But the vote may be determined by the tactics Beijing adopts. The Liberal Party, which has 15 members in LegCo, has been lobbying independent and pro-China members to support its "middle way" — amendments to Mr Patten's proposals which follow more closely what China is assumed to want. It suggests, for example, that nine new constituencies to be created for the 1995 LegCo elections, should be restricted to a total of 123,000 business voters, rather than the 2.3m extra voters who Mr Patten wishes to enfranchise.

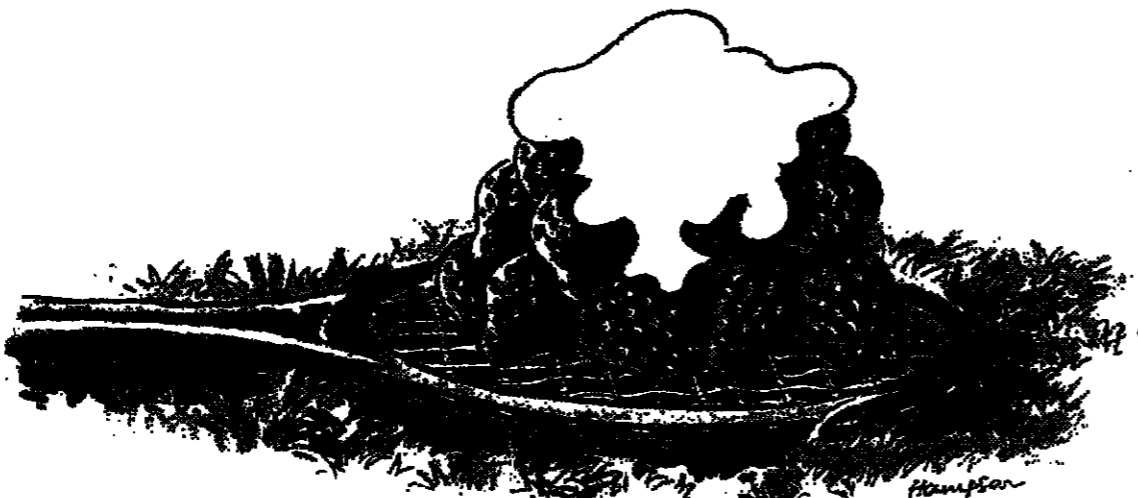
The vote could swing against Mr Patten if the three LegCo representatives allied to Beijing side with the Liberal Party rather than abstaining. The signs are that China has yet to decide its strategy.

Mr Tsang Yok-sing, chairman of pro-Beijing Democratic Alliance for the Betterment of Hong Kong, hints members of the Chinese government are divided. "Some believe if we adopt the Liberal Party's proposals we can have a much smoother transfer of power in 1997," he says. "The 1995 elections would fit in better with the Basic Law [Beijing's mini-constitution for the colony] than Mr Patten's 1993 proposals."

But others think that if China takes a positive attitude it could be interpreted that the LegCo decision has validity. If China were to accept LegCo's vote people would also question the need for Sino-British talks in the first place. So far China has seen LegCo as merely an "advisory body" to a colonial regime.

Whatever the result of Wednesday's vote it will mark a watershed, finally setting in concrete the way politics will be conducted in the last three years of British rule. While rows over Hong Kong's political development may cloud Anglo-Chinese relations from time to time, they will no longer form an obstacle to the practical business of transferring sovereignty. That bodes well for deals on the airport and military land, even if the conjunction of events this week ultimately proves too much for China to digest at once.

## FOR THE FULLEST FLAVOUR OF WIMBLEDON...



## CEE PAGE 330.

For the next two weeks, the big guns in tennis are gathering at the All-England Club. But the best service on any court will come from BBC Ceefax.

A single page number will give you instant access to up-to-the-minute scores from every game; to full results and details of how the draws are developing; to match reports on key contests; to each day's order of play, as soon as it's announced; and to all the news and views that matter, from the courts and from behind the scenes.

In fact, whenever you want a complete Wimbledon up-date, Ceefax will serve it to you on a plate.

**BBC CEEFAX**

First with the facts

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Hats off to thinkers

From Mr Edmund Jackson.

Sir, If Edward de Bono (Letters, June 23) considers himself a philosopher, it is odd that he castigates Lucy Kellaway's article ("Put on your thinking caps", June 17).

I certainly did not feel "nursed" when reading it; indeed, a sense of enlightenment. It was good writing because it succinctly clarified de Bono's latest thinking fashion, with shrewd scepticism.

Surely the essence of philosophy is a creative pursuit of new ideas — which are then criticised vigorously, to alter our very paradigms of thought. In such a contest there is no time for personal pride.

Edward de Bono's reactionary tone could imply that he is more concerned to defend the commercial prospects of his "Six Hats" approach, than genuinely advance understanding.

This is not good philosophy. Its best thinkers have usually been absorbed in ideas for their own sake, not marketing potential.

A reason for reading the FT is articles which inform and challenge us to think — without a need for gurus. Hats off to Lucy Kellaway!

Edmund Jackson,  
Chenies,  
Butlers Dene Road,  
Wokingham,  
Surrey RG3 7BH

### Council must be more open

From David Martin MEP.

Sir, I sympathise with David Gardener's frustration in his attempt to gain selected voting records (the 12 members of the European Council "EU unable to provide ministers' voting record", June 23). The Council's new code on public access to information does not address the issue it was established to deal with: public alienation from the process of European Union. The public are rightly disenchanted

with such a secret and elitist body.

When Maastricht brought in the new "decision procedure" whereby the Council must inform the public when adopting European legislation, the Council should also publish the results of all its votes. The 340m people in whose name these laws are being made deserve nothing less.

David Martin,  
4 Loddon Street,  
Dulwich,  
Middleton HE22 1DS

### Rare opportunity for WTO to seize

From Mr Harry L. Freeman.

Sir, You reported that the Mexican foreign ministry is consulting other governments about the possibility of President Salinas getting the top job at the incipient World Trade Organisation (WTO) ("Salinas may join race to head WTO", June 10). On June 15 you reported that Germany has made a formal bid for the WTO to move to Bonn ("Bonn offered as base for WTO").

What is important is that the WTO be launched as a new and powerful organisation, albeit with roots in the General Agreement on Tariffs and Trade, but not merely as a revitalised or remodelled GATT. WTO will commence with more than 120 countries and will have broad powers to

maintain and enhance the multilateral trading system. Much can be learned from the Gatt experience over the past decades but that must be balanced against the fact and perception that the WTO is a vastly different entity, in membership, in powers, and in responsibilities.

The idea of having a former head of state of a major developing country which literally bet the future of its economy on throwing open markets, joining Gatt, and welcoming import competition and foreign investments is a rare opportunity which should be seized. This is no reflection on the worth of the announced candidates who are competent.

However, the Salinas candidacy is an opportunity to be

seized to re-enforce the point that the WTO is both new and is to be one of the world's most important organisations.

As for moving to Bonn, here again there is much to be said for a new location denoting a new organisation. The German bid should be seen in that light and weighed against the obvious convenience of remaining in Geneva where so many countries have joint missions to the WTO, WIPO, and UNCTAD. It inevitably raises the question of whether the world needs all of these overlapping organisations if the WTO becomes near universal in its membership.

Harry L. Freeman,  
The Freeman Company,  
4708 Dorset Avenue,  
Maryland 20815, US

### Rail men made outdated pay structure point seven years ago

From Mr James Knapp.

Sir, It is ironic that Robert Taylor should lead his report with a comment from Railtrack chairman Robert Horton complaining about an "outdated pay structure" ("Railtrack takes the route to modernisation", June 22). RMT (NUR) made this point seven long years ago.

The existing pay structure has developed over decades. BR traditionally preferred to pay low basic rates of pay and build up earnings by overtime, supplements and allowances. This was because it was cheaper to employ labour on this basis.

Incidentally, Robert Taylor misunderstands some elements in the package. Isolation allowance is paid for isolating current and taking on extra responsibility in abnormal

working conditions, not for working in an isolated area. But I am surprised that he omits to mention that the original package of measures (including the 5.7 per cent with strings offer) was a productivity deal with a clause committing the union to further productivity measures. The government, with all the ineptness we have now come to expect, managed to blow the deal out of the water, although I believe it met the criteria it seems so keen to defend.

Changes in working practices are not being opposed by RMT, although we have reservations about some elements. Railtrack proposes. Job evaluation, for example, is not a panacea and our experience in other parts of the industry is that, far from solving problems, it creates new ones.

RMT's objections to the package put by Railtrack at Acas are, first, it does not address the claim, and second, it is a very poor deal for signalling grades. Even if we ignore past productivity it does not recognise new productivity.

At very best it means an average of 24 per week increase in gross earnings. The reality is Railtrack cannot guarantee any increase for any individual because of the way the package has been constructed. Not only is job evaluation difficult to predict, Railtrack admits it is not ready to introduce annualised hours. Juggling existing monies from one pocket to another is not an increase in pay. Furthermore, 30 per cent of signalling grades will be considerably worse off.

Mr Taylor asserts that RMT should have pressed the claim

more resolutely in the past. Does he mean that we should have taken strike action seven years ago as the only way we could have forced the issue? That is a strange argument for the FT to articulate. This dispute has to be resolved by talking to each other.

As Mr Taylor reveals, the differences behind the rhetoric are not unbridgeable. If the government leaves negotiators to settle the issues realistically we have already proved a deal is possible. Transport secretary, John MacGregor's latest intervention raises questions about his sincerity in seeing this straightforward industrial dispute resolved.

James Knapp,  
National Union of Rail, Maritime & Transport Workers  
Unity House,  
Ruston Road, London NW1

**Monday June 27 1994**

The real mystery is why Mr Major chose to behave this way. In the weeks before Corfu, it seemed that Britain would accept Mr Dehaene as a last resort. Mr

The OECD Jobs Study, published earlier this month, set out a menu of options for reforming welfare states to promote employment. These included widening the gap between benefit levels and after-tax earnings, linking benefits to participation in programmes for getting people back into work and

Europe must agree as soon as possible, so that Cern can take advantage of the SSC's demise to make the LHC a truly international project. American physicists are particularly keen to negotiate entry, so as to make use of their scientific skills and experience that had been devoted to the Mexican project. The level of US contribution suggested in informal discussions is \$400m, including but never yet observed.

These may seem abstruse subjects – and physicists certainly need to make more effort to explain their importance to non-scientists. But almost everyone is interested in the origins and future of our universe. So the world should not hesitate to spend a couple of billion dollars on a machine that helps us to understand it.

Yet wider forces are also at work, suggesting that Japan's partners should adjust to the fact that it may be only at the start of several years of wobbly coalition governments. The formerly stable structure of Japanese power has become unbalanced, argues Mr Kiyoaki Kikuchi, a former ambassador to the UN who is now senior adviser to Matsushita, Japan's largest consumer electron-

True to its word, the LDP swung into attack straight after the budget



A majority of politicians agree that now is not the time for an election, as shown by a petition signed 10 days ago by 306 of the 511 members of the lower house of Parliament. They share Mr Saito's war-

An election would have also delayed, maybe even prevented, plans to introduce a more stable and representative political system, due to be ready by the autumn. The political reform scheme, supported by a powerful younger generation of politicians, but strongly opposed by the old guard, would encourage parties to win votes with policy ideas rather than favours. It marks a decisive push against the old-style backroom deal making that was taking place in Tokyo at the weekend, in an attempt to form a new government.

Political observers believe several general elections, under the new system, will be needed before a stable two or three party balance emerges from the present ever shifting web of alliances between the record 11 parties represented in the lower house of parliament. Until then, expect the unexpected from Japan.

Olga's director general, Ms. Clare Spottiswoode, rightly pointed out to the environment select committee that it was not her job to raise taxes on gas consumers to pay for energy efficiency measures: tax, and therefore environmental policy, was the government's job, she said. Such problems are not confined to gas. Ian Byatt, director general of Ofwat, the water industry regulator, sees his job as being to curb the politically escalator in water bills. In a politically brilliant campaign, he has out-smarted the water quality regulators, particularly the

roadmap, the government has a good opportunity to sort out the current muddle. One commitment made as a result of Mrs Thatcher's initiative, included in the 1990 White Paper, *This Common Inheritance*, is the creation of a single environmental agency, to bring together the various strands of environmental policy under a single umbrella to promote integrated pollution control. That commitment is finally coming to fruition: the deregulation bill currently going through parliament paves the way, ahead of primary legislation.

However, good the idea in theory

**rationale: what is it for?**  
To the traditional environmental regulators, the environment agency is effectively a "gathered fields" exercise, creating an umbrella under which technical regulation by experts will be co-ordinated. It is an institutional tying-up exercise. To critics, however, the agency provides the opportunity for thoroughgoing reforms of environmental pol-

The arguments for an environmental agency based upon sound economic principles go beyond institutional purity. They offer real hope for resolving many current impasses. First, the introduction of cost-benefit analysis would tackle head-on issues raised by Ms Spillings and Mr Byatt. Cost-benefit analysis would help identify whether, for example, energy efficiency schemes were economic in the wider sense, once pollution had been properly incorporated, rather than on merely private calculations. Broader attacks on environmental concerns by regulators would no longer be so crudely effective.

Second, environmental charges would raise revenue. While purists

## Dieter Helm

*The author is fellow, New College Oxford, and director, Oxford Economic Research Associates*

Not at all. "We have said our VAT will be the same so there will be no competitive advantage. We think we are a sufficiently trustworthy partner for Switzerland," opines a Liechtenstein diplomat.

In other words: do not even *think* of putting your armoured bicycles on our lawn.

■ **British inventors, arise – you**

## Crunched gears

■ And now, the end of the road for the car that made a Lada feel envious – the Zaporozhets, the box that mobilised Soviet citizenry. The last rolls through the factory gates on Thursday, 34 years after Nikita Khrushchev, who called it the “tin can,” first gave the go-ahead for its mass production in the Ukraine.

describing it as a "no-frills car," adding that "style or how much fuel it drank was not an issue when it was designed. The key question was whether it could cope with the rotten roads in the Soviet

**'I'll walk you part of the way home  
and then you're on your own,  
Mr Unsworth'**

Foreign competition and inflation have been its undoing. In 1960 the basic model cost 20 times average monthly pay, but today it is 87 times the typical Ukrainian monthly salary, equivalent to \$870. At that price, surely there's a thriving export market *somewhere?*

■ **Problems at Cable News Network?** Ted Turner's CNN, the 24-hour news television station, which became required viewing during the Gulf War, appears to

the FAO, with plans to winkle out 200 of the FAO's 1,500 Rome-based experts from their dolce vita, shifting them to the capitals – and horror of horrors, perhaps even the fields – of Africa and Asia.

Could Diouf be implying some criticism of his long-standing predecessor, Edouard Saïdou? asked one diffident hack.

Hardly. "I am not here to make judgments," replied Diouf. Not even about the sense of keeping the remaining 1,300 experts beavering away in Rome?

■ One more tale to add to the Queens Moat Houses' collection. When the bankers to the

Fortunately, Alan Griffiths, head of "corporate recovery" accountants Grant Thornton, was still manning his phone. He got the job while his competitors got sunburn.

Barclays, the lead bank, stresses that Griffiths always had been its first choice. "We had our fingers crossed that he would be there." Of course,

■ The BBC's exhausting, sorry exhaustive, coverage of the football world cup has been interspersed with what the corporation calls "mood music" which is, it points out, "entirely unrelated" to the different national teams.

That is a relief.

For the time that pipes up when very likeable players appear sounds very like "The Lion", by Senegalese singer Youssou N'Dour, described . . .

in the record's sleeve notes as "a sprightly, rallying tribute to Senegal's national heroes, its soccer team."

Oh well: big place, Africa.

## Grand coalition possible in Saxony-Anhalt

# Close result forecast in German state poll

By Judy Dempsey in Berlin

German chancellor Helmut Kohl's Christian Democratic party and the opposition Social Democratic party were last night running neck and neck in the first east German state election since 1990.

According to exit polls conducted by state-run ZDF television, for the election in Saxony-Anhalt state, the CDU was edging ahead with 36.5 per cent of the vote, and the SPD, led by Mr Rudolf Scharping, had polled 34.4 per cent, prompting speculation that the two parties might form a grand coalition in the state.

The election is seen as a pointer to the remaining state elections and to the federal election on October 18.

The CDU, which had steadily moved up in the state opinion polls over the past few weeks, had gained 39 per cent in 1990 and had formed a coalition government with the Free Demo-

crats, which gained 13.5 per cent.

But last night the FDP was trailing with less than 4 per cent, too low to enter the state parliament, leaving the CDU without its traditional coalition partner.

The pressure facing Mr Kohl's CDU, which still governs three of the other eastern states, is whether the FDP, its junior coalition partner, can recover from yesterday's debacle to retain its national representation in October.

If the exit polls are confirmed, the SPD - whose share of the vote yesterday rose 8 percentage points compared with 1990, which is seen as a personal success for Mr Scharping - is in a position to form either a grand coalition with the CDU. It may instead seek to open separate negotiations with the Bündnis 90/Greens, the environmental party. The Greens' provisional share of the vote rose to 5.7 per cent from 5.3 per cent in 1990.

"We will be constructive no

matter what we decide," said Mr Christoph Bernger, the CDU prime minister of Saxony-Anhalt.

"We will have to see the final results," Mr Bernger is the third prime minister since 1990. The two previous ministers were forced to resign following corruption scandals, which tarnished the party's image in the state.

The SPD's Mr Reinhard Höppner, the opposition leader in parliament, said that "if we opt for a grand coalition, the talks will be very difficult. But the SPD are the real winners."

A snap opinion poll for ZDF last night showed that 24 per cent of Saxony-Anhalt voters wanted an SPD/Green coalition compared to 15 per cent for a grand coalition. Only 12 per cent wanted a coalition between the SPD and the Party of Democratic Socialism, the successor to the former east German Communist party, which gained 17.8 per cent of the vote, 5 percentage points more than 1990.

## Brussels seeks reply by Spain in ferry dispute

By Emma Tucker in Brussels and Tom Burns in Madrid

Spain must this week respond to formal complaints by the European Commission that it has disobeyed the rules and spirit enshrined in the European Union's single market in refusing a UK shipping company access to the ferry route between Spain and Morocco.

The Commission has launched the first stage of infringement proceedings after Spain refused to allow Censargo, the UK shipping line, to start a car ferry service between ports on the southern coast of Spain and Nador in Morocco.

Spain has until Thursday to respond to a letter sent three weeks ago by the Commission, although the Spanish authorities were saying before the weekend they had not yet heard from Brussels.

The case has been compared to the recent, much-publicised British Airways dispute with France over access to Orly airport in Paris.

Under single market regulations that came into force on January 1 1993, a shipowner in one EU member state can start a service between any other member state and a non-EU country.

But the Spanish interior ministry has blocked efforts by Censargo to start a service between Spain and Morocco since the UK shipping line - its arguments now backed by the UK government - identified a gap in the North Africa route, used regularly by thousands of EU-based Moroccans.

When Censargo tried to sail from Nador to Almeria in May last year, it was prevented from docking by armed Spanish militia and naval craft. Subsequent attempts by Censargo to start the service to the Spanish ports of Malaga and Alicante were also frustrated.

The interior ministry says neither Almeria, Malaga nor Alicante has international port status and it is up to Spain to decide where its entry points should be. It argues that none of the ports has the necessary facilities for customs and immigration.

Censargo points out that as late as summer 1992, a service operated between Malaga and Tangier in Morocco, and Malaga remains a destination for a number of international cruise lines.

The Spanish state-owned company Transmediterranea - now being prepared for privatisation - has a monopoly on car passenger ferry services between Spain and Morocco east of the straits of Gibraltar. All existing ferry services dock at Melilla, the Spanish enclave on the northern tip of Morocco, just 15km north of Nador. A new service to Nador could deprive Melilla of much of its trade.

## THE LEX COLUMN

# Enterprise's paper tiger

Decision time is approaching for Lasmo shareholders. By Friday they must either back the oil explorer's continued independence or accept Enterprise's £1.6bn all-paper bid. Though the two-month battle has seen a welter of accusations, several issues stand out.

Most important, Enterprise has failed to demonstrate any added value from putting the companies together. Comments by Mr Graham Hearn, chairman and chief executive, that it was necessary to be one of the "big boys" smack of empire building. And although it would have been easy to criticise Lasmo's management or financial strength last year, such arguments carry less weight following management changes and the recent rights issue.

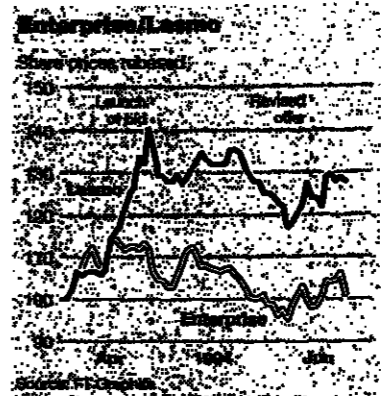
It might still be argued that Lasmo shareholders are being offered such a generous deal that they should accept Enterprise's paper regardless of any industrial logic. The snag is that the offer, which would give Lasmo shareholders 44.5 per cent of the combined entity, looks fair but not generous. As the bid has progressed, perceptions of the relative values of the two companies have shifted in Lasmo's favour.

Investors have become aware of how Enterprise's reported profits have been inflated by writing down sharply the value of assets it acquired during the 1980s.

A further problem is that, if the merger went ahead, the market could be flooded by reams of Enterprise paper that nobody particularly wants.

So Lasmo shareholders who accept the bid with the aim of selling Enterprise shares in the aftermarket could receive a poor deal. Given the lack of industrial logic or sufficiently attractive terms, investors should reject the offer.

The Italian treasury must be relieved to price INA shares in the middle of the indicated range. Turbulent financial markets are uncomfortable for insurance companies, which are priced relative to net assets. In addition to the market's affecting international markets, Italian investors appear to be losing patience with the new government of Mr Silvio Berlusconi. At a 13 per cent discount to stated net assets, INA looks reasonable value against other European insurers. But it would be rash to expect a windfall profit, at least until financial markets recover some poise.



The long term case for investing in INA rests on the argument that Italy is underinsured by the standards of most industrialised countries. Despite the recent setback in the courts, reform of the generous state pensions system should open the way for private sector providers of savings. Liberalisation of the motor insurance market from July 1 - premiums have been set by government until now - should also bring opportunities.

The question is whether INA can capture its fair share of expanding markets without losing sight of the risks. Its market share in life insurance has fallen sharply in recent years, although a new bancassurance alliance with Banco di Roma should stop the rot. On the non-life side, INA must resist the temptation of an unprofitable battle for supremacy with Generali. If the group can make the most of its powerful franchise, though, the offer price leaves room for the shares to outperform.

## South Africa

Two months after its first all-race elections, South Africa is reaping the reward in terms of access to international capital. Liberty Life, the country's largest insurance company, is leading the way with a \$500m convertible bond offering. Smaller debt and equity issues are sure to follow. Last week's budget included a government overseas borrowing target of R1.8bn (\$320m).

Yet buying rand-denominated assets remains difficult. Despite being the world's 10th largest equity market, the Johannesburg Stock Exchange is notoriously illiquid thanks to a complex web of cross-holdings. Until South African companies and institutions are free to invest overseas, equities

will remain gridlocked. The financial rand - a closed pool of currency through which all inward investment must be channelled - is another hurdle. True, foreign investors enjoy exceptionally high bond yields because the financial rand trades at a discount to the domestic currency. But the closed pool restricts liquidity, making it difficult to buy and sell.

These factors are likely to limit the flow of foreign investment in South Africa, however promising the economic fundamentals may seem. While the discount on the financial rand remains high, the government may be too worried about capital flight to abolish exchange controls. The danger is that the discount will not close because international investors dislike dealing in the volatile financial rand. Unless the government takes the initiative, South Africa could find itself locked into a damaging stand-off.

## Bell Cablemedia

Bell Cablemedia looks a little foolhardy to be pressing ahead with its \$1.2bn flotation given the state of financial markets. Three other UK cable companies - TeleWest, Comcast and General Cable - pulled their flotations last month. But Bell has its own special reasons for seeking a listing. The company, which involves pooling the UK cable interests of Bell Canada, Cable & Wireless and Jones Interchange, does not yet exist. Its creation is contingent on a public flotation.

One might therefore be forgiven for expecting the shares to be sold cheap. But, if anything, the price sought looks a touch on the high side. Even at the bottom of the pricing range, Bell's franchises are valued at roughly \$300 per home. Comcast, which came closer to flotation than TeleWest or General Cable, had to pull its offer when investors balked at a valuation not much higher than that.

Price per home is, of course, only a crude yardstick and there are differences between Bell and Comcast. Bell, for example, controls a greater proportion of its franchises than Comcast - a factor investors rightly appreciate. Unfortunately, other factors point in Comcast's favour. In particular, the company has invested proportionately more in its franchises than Bell. So it is not obvious that Bell deserves a premium rating. Given that, the flotation's success cannot be guaranteed at the current pricing range. If it flops, the chances of reviving the other three flotations will grow even slimmer.

# M&S and ABB head list of Europe's respected companies

By Paul Taylor

Marks and Spencer, the British high street retailer, and Asea Brown Boveri, the Swedish-Swiss multinational industrial group, are the most respected companies in Europe, according to a peer-group poll published today.

M&S and ABB emerged as the clear winners when top executives were asked to identify European companies they most respected, in a survey undertaken by the Financial Times in association with Price Waterhouse, the accountants.

The study, the first of its kind, is based on responses to a questionnaire sent to almost 2,000 chairmen, chief executives and finance officers from 637 European companies including the largest quoted, state-owned and private companies in 17 nations.

The results provide a fascinating insight into senior management attitudes and the qualities they judge to be important to business success in the 1990s.

Almost all the top 25 companies were identified as committed to their shareholders, customers, and employees. The most frequently cited attributes across all industry sectors were consistent growth and long-term profitability, clear policy and objectives and high customer loyalty.

Conversely, for most respondents, a commitment to equal opportunities, progressive policies regarding childcare and a strong stance on social issues, hardly rated a mention. Perhaps more surprisingly, research and development and design were also low scorers in most sectors.

Some interesting differences also appeared at national level.

Customer loyalty was rated the most important quality for a successful company in the UK and was equal second in Sweden, but came lower down for respondents in other big European countries.

Growth and profitability were cited as most important by German and French respondents and ranked second in the UK and Italy, but came eleventh in Spain where market leadership in terms of products or services and displaying a positive management style were rated equal first.

In the Netherlands the most important attribute was judged to be satisfied staff - also high on the list in France, Germany, Sweden and Belgium. It was not seen as being particularly important in either the UK or Italy.

Customer loyalty and clear policy top agenda, Pages 8 and 9

## Japanese parties begin race for power

Continued from Page 1

his resignation would create a leadership vacuum by assuring US president Bill Clinton that Japan would push on with talks to resolve their trade dispute. The government would also continue its work on economic deregulation and tax reform, about which it is due to unveil a package of measures tomorrow.

Leaders of the conservative Liberal Democratic party and the leftwing SDP, the two largest opposition groups, plus the New Harbinger party, a centre-left splinter group from the LDP, yesterday said they were considering

an alliance. "The opposition owes responsibility to end the political confusion," said Mr Yoshi Kono, president of the LDP, which was in power for nearly four decades until it lost a vote of no confidence last June, thanks to the defection of a faction led by Mr Hata.

However, a coalition of the LDP and SDP, which for years opposed each other, is likely to be more fragile than the last government.

The SDP was yesterday undecided on whether to seek to rejoin Mr Hata's camp, two months after storming out of the

coalition, or throw in its lot with its former enemies, the LDP. Mr Tomichi Murayama, SDP chairman, said he would try again to form a government with the outgoing coalition, but was prepared to ally with the LDP if this failed.

Both Mr Murayama and Mr Kono were cited as possible candidates for the post of prime minister. Equally, there was some support for reinstating Mr Hata, amid speculation that he had staged a tactical resignation with that in mind. Mr Masayoshi Takemura, head of the New Harbinger party, said it "would not be totally impossible" for Mr Hata to become prime minister again.

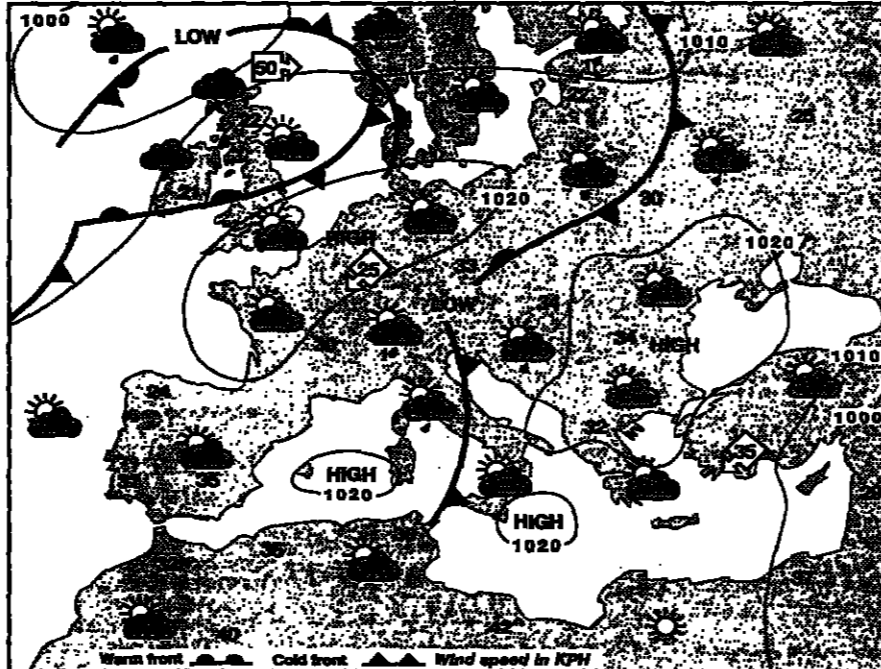
## FT WEATHER GUIDE

### Europe today

High pressure will strengthen over the Low Countries promoting sunny and dry conditions in a wide area, including Eastern regions of the British Isles. In France and Spain temperatures will be around 30C. The Alps and northern Italy will have thundery showers. Eastern Europe will be very warm with sunny spells and isolated showers. Low pressure in Northern Europe will make most of the region rather humid. Northwestern Europe will be cooler with a few showers. Western Norway will be cloudy with rain.

### Five-day forecast

Western Europe will remain very warm. On Thursday it will be cooler but this will be followed by another warm spell. Eastern and southern Europe will remain hot with showers in Italy and Greece. As depressions move north across Scandinavia it will remain unsettled, but in Sweden and Finland temperatures will still be above 20C.

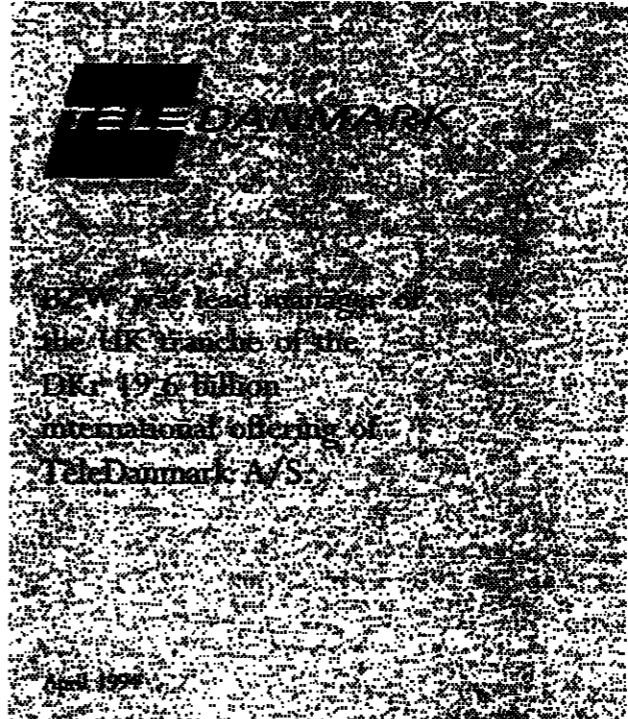
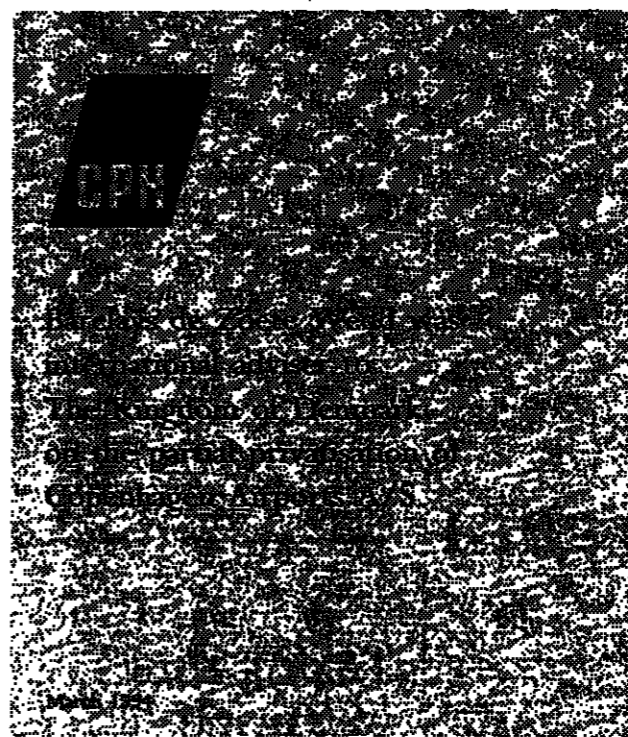


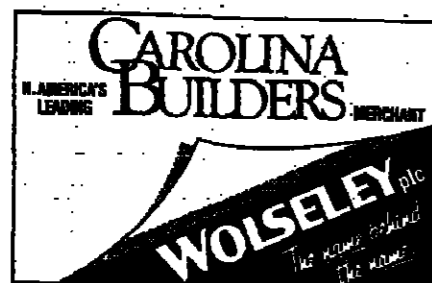
### TODAY'S TEMPERATURES

	Maximum	Minimum	Wind
Abu Dhabi	sun 44	28	calm
Aden	sun 44	28	calm
Algiers	sun 31	21	calm
Amman	sun 31	21	calm
Amsterdam	sun 31	21	calm
Antwerp	sun 31	21	calm
Athens	sun 31	21	calm
Bahia	sun 31	21	calm
Bahia	sun 31	21	calm
Bangkok	sun 31	21	calm
Barcelona	sun 31	21	calm

	Maximum	Minimum	Wind
Cairo	sun 31	21	calm
Cardiff	sun 31	21	calm
Casablanca	sun 31	21	calm
Chicago	sun 31	21	calm
Cologne	sun 31	21	calm
Dakar	sun 31	21	calm
Dallas	sun 31	21	calm
Delhi	sun 31	21	calm
Dubai	sun 31	21	calm
Dublin	sun 31	21	calm
Edinburgh	sun 31	21	calm
Feroe	sun 31	21	calm
Frankfurt	sun 31	21	calm
Geneva	sun 31	21	calm
Glasgow	sun 31	21	calm
Hamburg	sun 31	21	calm
Helsinki	sun 31	21	calm
Hong Kong	sun 31	21	calm
Honolulu	sun 31	21	calm
Istanbul	sun 31	21	calm
Jakarta	sun 31	21	calm
Jersey	sun 31	21	calm
Kobe	sun 31	21	calm
Kuala Lumpur	sun 31	21	calm
London	sun 31	21	calm
Los Angeles	sun 31	21	calm
Lyons	sun 31	21	calm
Madrid	sun 31	21	calm
Manila	sun 31	21	calm
Moscow	sun 31	21	calm
Mumbai	sun 31	21	calm
Nairobi	sun 31	21	calm
Nagasaki	sun 31	21	calm
Nassau	sun 31	21	calm
New York	sun 31	21	calm
Nice	sun 31	21	calm
Nicosia	sun 31	21	calm
Osaka	sun 31	21	calm
Paris	sun 31	21	calm
Perth	sun 31	21	calm
Prague	sun 31	21	calm
Rangoon	sun 31	21	calm
Reykjavik	sun 31	21	calm
Rio	sun 31	21	calm
Rome	sun 31	21	calm
S. Francisco	sun 31	21	calm
Seoul	sun 31	21	calm
Singapore	sun 31	21	calm
Stockholm	sun 31	21	calm
Strasbourg	sun 31	21	calm
Sydney	sun 31	21	calm
Taipei	sun 31	21	calm
Tel Aviv	sun 31	21	calm
Tokyo	sun 31	21	calm
Toronto	sun 31	21	calm
Vancouver	sun 31	21	calm
Venice	sun 31	21	calm
Vienna	sun 31	21	calm
Warsaw	sun 31	21	calm
Washington	sun 31	21	calm
Wellington	sun 31	21	calm
Winnipeg	sun 31	21	calm
Zurich	sun 31	21	calm

Our service starts long before takeoff.  
**Lufthansa**  
German Airlines





# FINANCIAL TIMES COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1994

Monday June 27 1994



## MARKETS THIS WEEK



**MARTIN DICKSON:**  
GLOBAL INVESTOR  
International markets face a confidence test this week: the dollar crisis shows no signs of abating and it has pushed US long bond yields, which set the pace for global markets, near the bottom of their recent trading range.

Page 26



**PETER NORMAN:**  
ECONOMICS NOTEBOOK  
Faced with sharply rising bond yields in the world's capital markets, analysts and commentators have revived the notion of a global capital shortage. There is plenty of evidence.

Page 26

### BONDS:

The Canadian province of Ontario, one of the biggest borrowers in the international bond market, is forging ahead with its funding programme for this year, having raised C\$4bn of its C\$7.7bn (US\$5.5bn) requirement. Page 28

### EQUITIES:

This morning, the market will be watching to see if currency intervention alone can preserve the dollar. If, as the stock market believes, only action on interest rates can save the day, then share prices will again be at risk. Page 29

### EMERGING MARKETS:

Romania is set to become the latest of eastern Europe's former Communist states to open a stock exchange. The bill shows greater commitment to reform by the government. Page 27

### CURRENCIES:

In the light of the dollar's dismal performance after central bank intervention to support it last Friday, foreign exchange markets will be testing the US currency's downside this week. Page 27

### COMMODITIES:

First-half sales by De Beers' Central Selling Organisation, which controls 80 per cent of world trade in rough diamonds, are reported on Wednesday and are widely expected to match or even exceed the record \$2.54bn in the first six months of 1993. Page 28

### UK COMPANIES:

BAT Industries, the UK tobacco and insurance group, has warned that its \$1bn acquisition of American Tobacco could be jeopardised by the increasingly aggressive attitude of the US Food and Drug Administration. Page 24

### INTERNATIONAL COMPANIES:

Harris Trust, the Chicago-based subsidiary of Bank of Montreal, said it would absorb losses of \$51.3m on behalf of customers whose money it had invested in unsuitable securities created out of mortgage-backed bonds. Page 25

### STATISTICS

Base lending rates	35	London money market	35
Company interest	12	London share price	35-37
Dividend payments	12	Managed fund services	31-35
FT-World Index	35	Money markets	35
FT Guide to currencies	27	New int bond issues	28
Foreign exchanges	35	World stock mkt indices	30

## Italy puts 'prudent' price on Ina shares

By Andrew Hill in Milan

Shares in Ina, Italy's state-owned insurer, go on sale this morning at £2.40 each, in an international public offering which will raise more than £4.8bn (\$7.6bn), making it Italy's biggest privatisation so far.

It is the first sell-off under the new Italian government of Mr Silvio Berlusconi, and provides an opportunity to test policy for the larger privatisations of Stet, the telecommunications building company, Enel, the electricity generator, and Eni, the energy and chemicals group, likely to take place over the next year.

The Ina price is just below the middle of the £2,200-£2,700 range set when the privatisation was launched a month ago.

Ministers pressed for a higher price, but officials insisted that after a week of turbulence on Italian and world stock markets it would be more prudent to price the issue at the lower end of the range, in line with analysts' expectations.

The Treasury, which owns 100 per cent of Ina, has imposed new rules for the sale, aimed at giving the smallest shareholders a voice on the board and limiting the ability of a few large investors to exercise effective control over the newly privatised company.

The Treasury is selling 51 per cent of the insurance company, which claims a bigger share of the Italian life and non-life insurance market than any of its private-sector rivals.

The Ina offer can run until the end of the week, but it could

close as early as tomorrow night if demand is strong. Previous public offers of shares in the state-owned financial institutions - IMI, Credito Italiano, and Banco Commerciale Italiano - have been oversubscribed and closed early. Trading in Ina shares will begin officially on July 6.

Market conditions are not ideal for Ina's privatisation. Last Monday Italian equity prices fell nearly 4 per cent, forcing Mediobanca, the Milan merchant bank, to postpone its £1,500bn rights issue.

The stock market recovered later in the week but investors are still nervous about the government's economic policy.

However, officials and advisers say initial retail demand for shares in the company - particularly from existing policyholders, who will receive priority treatment - is strong. The international tranche of the shares, on sale in Europe and the US, is said to be three times covered by demand from institutions.

Shares in other big Italian insurers such as Generali and Ras were strong performers after the March general election, as investors speculated that Mr Berlusconi would encourage private pensions and stimulate the underdeveloped life sector of the market. The same shares slipped last week as investors adjusted their Italian insurance portfolios to prepare for the purchase of Ina shares.

Goldman Sachs and IMI of Italy are acting as global co-ordinators of the Ina issue.

## Tony Walker reports on a growing beer market Brewers fight for China's potential

Last week's tie-up between Foster's of Australia and Wheelock of Hong Kong to seek joint brewing ventures in China marks a new stage in the struggle for the country's beer market.

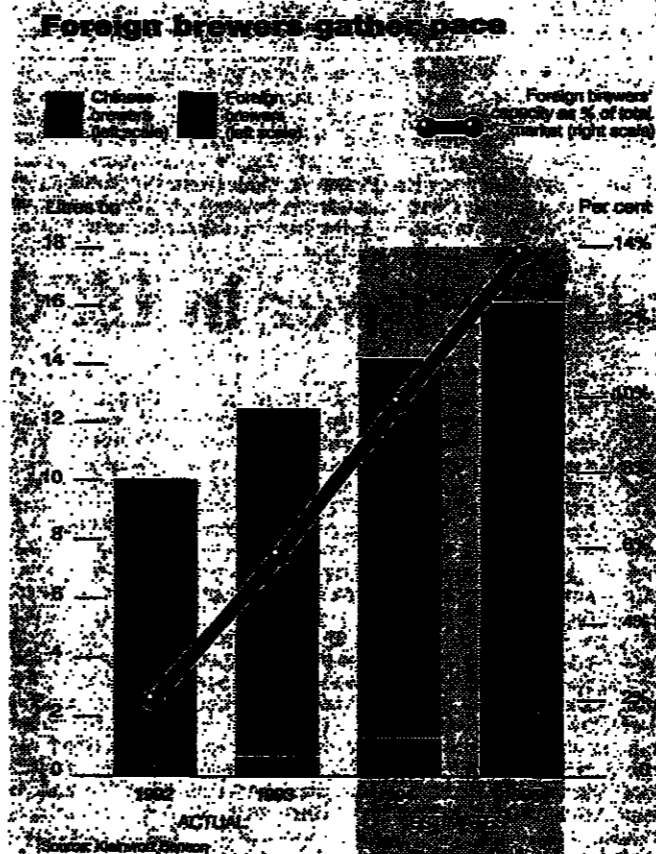
US, European, Asian and Australasian groups are striving to develop brewing and distribution networks for their flagship brands such as Beck's, Kirin, Foster's and Budweiser as China emerges as the potentially biggest international beer market.

Mr Nick Norgard, managing director of Foster's China, was euphoric after signing the agreement with Wheelock, the Hong Kong merchant house.

"The China market is growing at an enormous rate on an enormous base," said Foster's. "In 1993, it grew by 23m hectolitres which is 140 per cent of Australia's entire brewing capacity of 17m hectolitres."

This explosion explains why international brewers are duelling over China. Anheuser-Busch, the world's biggest brewer, announced earlier this month that it was planning to take over the Zhongde brewery in Wuhan (a joint venture involving Steinlager) as a step towards building a national presence with its Budweiser brand. Foster's, too, is eyeing opportunities in Wuhan as part of its strategy to establish nationally-accepted brands.

In a highly fragmented market - China boasts some 800, mostly tiny, breweries - there are no identifiable national brands with the possible exception of "Ting" which has just 2.5 per cent of the market. National distribution is hampered by a clogged and



crumbling transport system.

Ms Helena Coles, an investment analyst at Kleinwort Benson in Hong Kong, said: "Distribution and marketing is going to sort the men from the boys. Excess demand is not going to last forever."

But at this early stage China's thirst would seem unquenchable. Average per capita consumption is around 8 litres per annum compared with 158 in Germany, 92 in the US, and 50 in Taiwan.

According to a Kleinwort Benson survey of Asian beverages, the China beer market will double by early next century to become the biggest in the world.

Growth is running at 20 per cent, but long-term average growth rates of 10 per cent are "achievable".

Since 1984 China has moved from seventh place to second behind the US as a beer producer with output in 1993 of 12.25m tonnes. The number of breweries in that time has doubled. But this proliferation of brewers is coming to an end, and evidence of a shake-out is already surfacing, with takeovers of near-bankrupt smaller brewers in increasingly competitive local markets.

Mr Norgard said Foster's strategy was to proceed as quickly as possible to become the biggest in the world.

## Black tries to limit fears on UK price war

By Raymond Snoddy in London

Mr Conrad Black, chairman of The Telegraph group, said yesterday he hoped the drop in profits resulting from the cut in the cover price of The Telegraph to 30p would be limited to no more than £2m to £3m (\$3.5m) in a full year.

The company cut the price of the week-day Daily Telegraph to attack the cut-price Times, now at 20p and conceded that the move would cost £40m gross in a full year. The admission led last week to a sharp fall in The Telegraph share price. Mr Black said yesterday he believed as much as £25m of that could be regained from extra

revenue, reduction in tax and cost-cutting at The Daily Telegraph, which saw its circulation fall below 1m in April for the first time in more than 40 years.

The company, he said, is also likely to benefit from normal growth in the newspaper's subsidiaries in Canada and Australia. "It's not progress but we can live with that," he said. Sales of The Daily Telegraph have already started to rise since last week's price cut, according to Mr Black. "The Telegraph was up 90,000 on Friday," he said.

Mr Black believes the very steep fall in his share price from the 987p at which Hoffinger sold 12.5m Telegraph shares on

May 19 to institutions to Friday's closing price of 332p was a "hysterical overreaction". He said if the share price did not rise when there was evidence of increasing sales and reduced costs he would be happy to buy the shares back himself.

Mr Black thought two of the three main accusations against him had fallen away. One was the "legal-ethical question" over the May share sale. The Stock Exchange ruled on Friday that there was no connection between the sale of the shares and the announcement of the price cut.

The second accusation Mr Black believes he faces is that he is a co-predator with Mr Rupert Murdoch, chairman of The News

Corporation. A front page editorial in The Independent on Saturday, signed by Mr Andreas Whittam Smith, the paper's editor, said: "Two right-wing ideologues, Rupert Murdoch and Conrad Black, have set about destroying the quality newspaper market." Mr Black said that for taking action to counter the Murdoch price-cutting campaign "Andreas Whittam Smith should embrace me as a brother".

It is too early to know if the third accusation - that Mr Black has simply thrown away millions of pounds - is correct. "If I have got it wrong I will acknowledge the error publicly. If a policy is mistaken then we must find another," he conceded.

## KPMG discusses option to incorporate

By Andrew Jack in London

KPMG Peat Marwick, one of the UK's largest accountancy firms, is considering abandoning its traditional partnership status in favour of incorporation.

A meeting later this week of senior partners will decide whether to proceed with plans that could lead to it becoming a company as soon as this autumn. The move would be the first by a firm of any size to incorporate, although it has been theoretically possible by law and under professional ethical rules for the past two years.

Sources within the firm suggest that the action has been driven primarily as a method of protection against the rising costs of litigation in respect of audit and other clients.

Incorporation would be unlikely to lead to the introduction of outside investment or a stock market flotation. It would almost certainly force public disclosure of the firm's financial performance.

Accountancy firms are secretive about their results, revealing only their billings. KPMG showed reported revenue of £498m (\$757m) last year.

The firm's decision to consider new options follows radical plans for reorganisation being considered by the larger firms in the US, where the scale of the liability crisis is more serious.

A number of other large UK accountancy and other professional firms have discussed incorporation, but none is believed to have gone as far.

The 25 "general partners" who control KPMG will meet on Friday and are expected to consider options for the future structure of the firm.

Partnerships have unlimited liability when sued - they can be forced to surrender not just the firm's assets such as buildings, but also the personal assets of all the partners.

Most senior staff in an equivalent limited liability company would be protected from such claims on their personal assets, except for those who were most directly involved in any negligent advice for which they were being sued.

Mr Colin Sharman, head of the firm, would not comment publicly but said: "I believe incorporation for both accounting and other major firms will be unavoidable." Background, Page 11

## This week: Company news

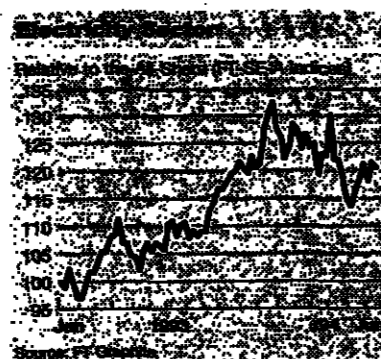
### FIAT Acceleration to break-even point may be forecast

Mr Gianni Agnelli, chairman of Fiat, Italy's biggest private-sector industrial group, should tell shareholders on Thursday that the group expects to break even this year at net profit level. In May, Fiat revealed the biggest loss in its 96-year history - £1,783m (\$1.1bn) compared with a net profit of £551m in 1992 - and decided not to pay a dividend on ordinary shares for the first time since 1947. But 1993 now appears to have been the low point, when deep recession in the automotive market coincided with a historic high of £1,900bn spent on investment in fixed assets and research and development.

This year, the group should benefit from gradual improvement in its main sectors - cars, trucks, and building and farm equipment - and especially from the success of the Punto range of small cars. The Punto leads a wave of new models to be launched in the next three years under the group's Fiat, Lancia and Alfa Romeo brands.

Restructuring and cost-cutting across the group should also help the company's profitability, and the innovative "integrated" car factory in southern Italy spearheads a shift in Fiat's manufacturing culture, according to the group. It remains to be seen whether this transformation will be underpinned by complacency as the market improves. But meanwhile investors have been rewarded with a strong increase in Fiat's share price, from around £4.00 in January to about £5.50.

On Thursday, shareholders should approve a potential increase in Fiat's maximum nominal share capital, to £10,000bn from £5,000bn, because last year's complex rights issue - which raised £5,000bn - took the company up to the limit of its issued share capital. However, the group should not have to draw on the new facility in the near future.



### RECs Not switched on for too much brightness

Seven of the 12 UK regional electricity companies will be trying to show how different they are from each other when they report their results this week.

Their problem is that they will not want to increase their profits by a percentage that is much larger than the rest and attract attention from consumers and the regulator just ahead of the most important review of prices they are likely to face.

This will determine how much the companies can charge customers for distributing their electricity for the five years from next April.

The companies that have reported so far have announced fairly modest increases, mostly in the 15 to 20 per cent range. This week's seven are expected to follow suit.

Norweb and Seaboard report today. Norweb is expected to announce pre-tax profits of about £175m (\$285m), against £157m, and a dividend of about 22.5p (20p), whereas Seaboard is predicted to announce £125m (£115m) pre-tax and an 11.5p (10p) dividend. Tomorrow Midlands is forecast at about £200m (£167m) and 29p (23p) respectively. On Wednesday Northern should announce about £125m (£111m) and 24.5p (21.4p) and Eastern about £230m (£189m) and 22p (19.2p). Swab on Thursday should achieve £115m (£101m) and 23.5p (20p). Yorkshire will bring the show to a close on Friday with about £175m (£156m) and 23.5p (20.4p).

### OTHER COMPANIES Delicate moment for Ferruzzi-Montedison

The annual shareholders meeting of Montedison, the Italian industrial group, is scheduled for tomorrow, and the AGM of Ferruzzi Finanziaria, Montedison's holding company, for Wednesday, although both meetings could slip by 24 hours. Shareholders will want to hear a progress report about the delicate restructuring of Ferruzzi-Montedison, a year after the near-collapse of the heavily indebted group, and the suicide of its chairman, Mr Raul Gardini.

■ **Adams Opel:** General Motors' German subsidiary, will tomorrow hold its annual press conference in Frankfurt. High on the agenda is likely to be the feud with rival Volkswagen over Mr José Ignacio López de Arriortua, the former GM director who defected to VW in March last year. Opel will also spell out its 1993 results - recent speculation suggests that it lost DM500m (\$308.7m) last year - and comment on trading in the first half of this year.

■ **Broken Hill Proprietary:** The largest of Australia's natural resource companies, is due to report its full-year earnings on Friday. Most analysts expect a strong performance, with sentiment having been boosted by this week's robust production report, covering the same 12-month period to end-May. Domestic steel despatches, for example, were 18 per cent higher.

### Companies in this issue

American Tobacco	24	GroCredit	25	Fluna	25
BAT Industries	24	Great Southern	24	Posidon Gold	25
Bank Austria	25	Harris Trust	25	Power Corporation	24
Bank of Montreal	25	IMI	22	Sancil	25
Enterprises Oil	24	Inaga	24	Service Corporation	24
Foron	25	Learno	24	The Telegraph	23
Foster's	22	Martin Retail	24	Varig	25
				Wheelock	23



**Rialto Homes plc**  
£16,000,000

**Term Loan & Revolving Credit Facilities**

Co-ordinated by  
**N M Rothschild & Sons Limited**

### Debt Providers

Barclays Bank PLC  
National Westminster Bank Plc  
N M Rothschild & Sons Limited  
The British Linen Bank Limited

### Legal Advisers

To the Borrower  
Timmuss Sainer Dechert  
To the Banks  
Ashurst Morris Crisp



**N M Rothschild & Sons Limited**

May 1994

## COMPANIES AND FINANCE

American Tobacco acquisition in jeopardy after FDA accusations

## BAT looks again at \$1bn deal

By Paul Abrahams

BAT Industries, the UK tobacco and insurance group, yesterday warned that its \$1bn (£800m) acquisition of American Tobacco could be jeopardised by the increasingly aggressive attitude of the US Food and Drug Administration.

The warning follows accusations last week by Mr David Kessler, FDA commissioner, that a US subsidiary of BAT had secretly developed a form of tobacco with high nicotine content through genetic engineering. Mr Kessler's allegations were part of a campaign by the FDA to gain regulatory control of the tobacco industry.

Mr Michael Prideaux, director of public affairs at BAT, said: "If the FDA takes control of tobacco regulation and introduces a ban on cigarettes containing nicotine or banning cigarettes that generate smoke - that could have a material impact on the results of American Tobacco."

The contract between BAT and American Brands, the diversified US owner of American Tobacco, contains a material adverse change clause, according to BAT. This allows BAT to cancel the deal - though not change the price - if the results of American Tobacco, the US's fifth largest

tobacco group, deteriorate significantly.

"We will be looking carefully at American Tobacco's next few quarters," said Mr Prideaux. The deal is scheduled to be concluded by April 1995. The acquisition, currently being investigated by the Federal Trade Commission, would increase BAT's sales by about 50 per cent, raising its share of the US cigarette market from 11 per cent to 18 per cent. BAT is already the US's third biggest cigarette manufacturer.

Mr Thomas Sandefur, chairman of BAT's subsidiary, Brown & Williamson Tobacco, last week accused Mr Kessler of leading "a dangerous crusade" to advance his "personal and political agenda" of banning tobacco products.

"We don't expect Mr Kessler to succeed in his agenda - the tobacco industry is already tightly regulated. But it's a worrying development," said Mr Prideaux.

Any attempt to pull out of the acquisition would probably lead to litigation with American Brands, he admitted. When the deal was announced BAT already knew the US tobacco market was in trouble. Competition has become increasingly fierce since Philip Morris, the market leader, cut the price of its Marlboro brand last year.

## Enterprise and Lasmo prepare for final phase

By Robert Corzine

Enterprise Oil's \$1.7bn hostile bid for fellow oil explorer Lasmo enters its final phase this week as both sides prepare their last presentations for institutional investors in the UK.

Mr Graham Hearn, Enterprise chairman and Mr Joe Darby, Lasmo chief executive, spent much of last week making the rounds of US investors, who control more than 20 per cent of Lasmo.

Enterprise's final all-paper offer closes at 1pm on Friday. Some institutions are known to have made up their mind about the bid. However, it is widely expected that big shareholders, the largest with more than 10 per cent of Lasmo shares and 5 per cent of Enterprise, will wait until Friday morning before declaring which side they will support.

Speculation continued at the weekend that Enterprise would begin buying Lasmo shares this week if it is not confident that it can reach the 50 per cent target through straight acceptance.

The company can buy up to 10 per cent of Lasmo shares in the market. It is believed that any such buying would include both US and UK shareholders if it materialised. See Lex

## Martin Retail to join market with £100m tag

By Peggy Hollinger

Martin Retail Group is coming to the market in the autumn via an institutional placing and open offer which is expected to value the neighbourhood newsagent chain at about £100m.

Although the flotation will not raise any money for the group itself, MRG is expected to use its quote and the debt-free balance sheet to expand on the high street and in the convenience store sector. At least 60 per cent of the shares are expected to be placed with institutions.

The flotation will mark the end of a difficult period for the group, which has been owned by a consortium of banks for more than two years. "We will have a more normal share ownership structure which will allow us to take the group forward," said Mr Rob Leak, managing director.

After a brief period under the ownership of Guinness, MRG was sold in 1987 for what has since been acknowledged as an excessive price to an Australian consortium which included News International and Fairfax.

When Panfida collapsed in 1992, the banks took over Martin's. Since then, they have left the management, led by Mr Leak, to expand the product range - into spheres such as



Robert Leak (left) with Garry Honeyball, finance director (right), and Judy Waterman, manager of the new Spring branch

offices and post offices - and roll out a computer system which eliminates the need for regional managers.

MRG will come to the market with 768 branches, including the RS McColl chain in Scotland, and has capacity in its warehouse to take on a further 600. The group intends to expand through acquisition, but will focus on developing its convenience store concept and high street presence.

MRG has ambitions to take on high street giants WH Smith and John Menzies. By

the first full year of flotation, it is expected to add 100 sites.

Since 1982, MRG has raised profits before tax and interest from £6.5m to £11m. Last year it generated estimated net cash of £5m, after £10m in capital expenditure.

Analysts estimate profits will rise by at least 10 per cent in the current year. Most expect investors to be drawn to MRG's growth potential rather than its dividend prospects.

MRG's sponsors are Kleinwort Benson, and advisers are Barclays de Zoete Wedd.

## Insas to control Power in £50m deal

By Paul Taylor

Malaysia's Insas group will take control of Power Corporation, the Republic of Ireland-based property development group, under the terms of a memorandum of understanding agreed by the two companies.

Insas, an investment holding company quoted on the Kuala Lumpur stock exchange since 1989, has conditionally agreed to subscribe £50m (£48m) for new ordinary shares in Power as part of a complex capital reconstruction involving a placing and open offer.

The investment is subject to a number of conditions including the completion of discussions between Power and its bankers over the proposed capital reconstruction and the rescheduling of a portion of Power's debts. The proposed reconstruction also includes reducing the per value of Power's 116m shares from 19p to 5p.

Following this, about 1bn of new ordinary shares with 200m detachable warrants will be issued to Insas as part of a placing and open offer at a price "that would not differ materially from the current market price." Power's shares closed unchanged at 54p on Friday.

Each warrant will entitle the holder to subscribe to one new Power share until September 30, 2004. Power plans to raise up to a further £50m through a simultaneous placing and open offer of a similar number of shares and warrants, which will be underwritten by Credit Lyonnais.

Insas recently disclosed that it held a 4 per cent stake in Liberty, the upmarket fabric and fashion group, and confirmed that it was acting in concert with Mr

Brian Myerson's family vehicle - Concerto Capital Corporation - which holds a 12.8 per cent in Liberty.

Under the terms of the memorandum Insas' 900,000 share stake in Liberty will be sold to Power in exchange for new ordinary shares with warrants worth about £4m.

Once completed, Insas, which plans to use part of a planned \$450m (£150m) rights issue to finance its investment in Power, will hold just less than a 50 per cent stake in the Irish group and will gain control of the board. Insas' managing director, Mr Thong Kok Khoo, will become Power's chief executive.

Power intends to use the remaining cash from Insas' subscription and the placing and open offer, totalling about £70m, to acquire and develop more shopping centres.

## SCI bid for Great Southern doomed to failure

Service Corporation International's hostile bid for funeral operator Great Southern Group is doomed to certain failure, because of restrictions in the Memorandum and Articles of Association of the UK company's large shareholder, writes Simon Davies.

The restrictions mean that the US funeral giant has been forced into a tight timeframe, which could considerably weaken its negotiating position assuming that it is prepared to increase its bid for Great Southern, as expected.

SCI launched its offer document last Tuesday, offering Great Southern shareholders 600p a share, 26 per cent above the pre-bid closing price.

A separate offer was made to JD Field & Sons, the private company controlled by the Field family, which owns 56.1 per cent of Great Southern's shares.

SCI's success rested on gaining the support of five trusts which control close to 70 per cent of JD Field, since the company's five directors immediately rejected the bid as "wholly unacceptable". However, these trusts are legally prohibited from accepting the bid within the set timeframe, even if they could be swayed by SCI's cash.

Under JD Field's Articles of Association, there is an extraordinarily complex procedure for any shareholders wishing to transfer shares.

A firm of accountants has to give an estimate of fair value for the shares, which can take up to 21 days. The shares must then be offered to existing shareholders at the agreed price, for a minimum of 14 days.

Finally, the directors have four months from the initial announcement of a shareholder's intention to sell, in which they have the right to find an alternative buyer for the shares.

Under the Takeover Code, the current offer for Great Southern can last a maximum of 60 days, and if it lapses, SCI will not be able to bid for Great Southern until after a year.

The restrictions on share transfer would take JD Field shareholders well

beyond that time limit.

JD Field's restrictions on share transfers can be removed, but this requires 75 per cent approval from shareholders at an extraordinary general meeting.

Unfortunately for SCI, the directors, who have unanimously rejected the offer, own 27 per cent of JD Field's shares, making the current offer an empty gesture.

Yesterday Schroders, which is advising SCI, confirmed that SCI's directors had been aware of the contents of the Memorandum and Articles of Association and, "recognised that the only way the bid could succeed was with the agreement of JD Field, the 56 per cent shareholder."

CROSS BORDER M&A DEALS					
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT	
Sanofi (France)	Stirling Winthrop (US)	Pharmaceuticals	£1.1bn	Long awaited drugs deal	
Comcast (US)	Unit of Maclean Hunter (Canada)	Cable TV	\$948m	US cable consolidating	
Berlin Pacific Timber (Indonesia)	Construction & Supplies House (Malaysia)	Timber	\$958m	Complex cross-holding deal	
Joint Energy Development Investments (US)	Bridge Oil (Australia)	Oil & gas	£172m	Jedi knight in bid fray	
Burns Philp (Australia)	Deutsche Helwetter (Germany)	Food	£59m	Continuing overseas expansion	
BOC (UK)	Unit of Engen (S Africa)	Gas	£18m	Cash deal	
Orbital (Italy)/Hughes Network Systems (US)	Hughes Orbital Telecom (JV)	Telecoms	£2.6m	Business satellite move	
Ad Opt (US)	Unit of Volvo (Sweden)	Transport services	£2m	Non-core disposal	
Harrowston (Canada)	Units of ICI (UK)	Chemicals	n/a	Non-core disposal	
AT&T (US)/Unisource International	Strategic alliance	Telecoms	n/a	International links growing	

This announcement appears as a matter of record only.

June, 1994



PEEL HOLDINGS p.l.c.

£110,000,000  
Revolving Credit Facility

Joint Arrangers

Barclays Syndications

Lloyds Bank Capital Markets Group

Co-Arrangers

Hill Samuel Bank Limited

The Royal Bank of Scotland plc

Funds provided by

Barclays Bank PLC

Lloyds Bank Plc

Hill Samuel Bank Limited

The Royal Bank of Scotland plc

Bank of Scotland

Gulf International Bank B.S.C.

Agent

Lloyds Bank Capital Markets Group



CONCERT

An evening of music

In aid of  
The Blackfriars Settlement

Southwark Cathedral  
Tuesday June 28 1994  
8pm

With

The Financial Times Choir  
and Boccas Aperta

soloists from Glyndebourne  
and Scottish National opera

The programme will include:

Fauré: Requiem,  
and music by Bizet, Delibes, Offenbach

Tickets £6 from Blackfriars Settlement  
071-928-9521  
or on the door

## COMPANIES AND FINANCE

## Harris Trust takes loss on mortgage-backed deal

By Richard Waters in New York

Harris Trust, the Chicago-based subsidiary of Bank of Montreal, said it would absorb losses of \$51.3m on behalf of customers whose money it had invested in unsuitable securities created out of mortgage-backed bonds.

The bank's decision, which will lead to a \$50m post-tax loss, echoes moves by some other US banks and fund managers whose investment strategies have proved fallible in the volatile markets of recent months.

## Uruguayan airline privatised

By John Barham in Buenos Aires

Uruguay has completed its first privatisation with the sale of 51 per cent of Pluma, its national airline, to a consortium of Argentine and Uruguayan companies.

Mr Juan Piaggio, Pluma's president, said the consortium paid \$2m cash and assumed the carrier's liabilities of \$20m.

The consortium is led by the Buquebus ferry company, which runs passenger services between Buenos Aires and ports in Uruguay.

The buyers selected Varig, the heavily loss-making private Brazilian airline, to operate Pluma on a contract for 10 years. Mr Alberto Fajerman, Varig's assistant planning director, said the airline will take over Pluma's financial and commercial management as well as operating its aircraft.

Mr Fajerman said Varig "will receive a fixed payment and a variable amount" linked to Pluma's performance.

page obligations (or CMOs) which Harris bought on behalf of 40 of its pension fund customers. These instruments are created out of standard mortgage-backed bonds and comprise a near-\$800m market in the US.

Harris said the pension funds were customers of its securities lending division. The money used to buy the bonds was collateralised which had been deposited with the bank against securities it had lent out on behalf of the funds.

This money should have been invested in safe, short-term instruments, the bank said, adding that it had decided to absorb the losses to protect its reputation. The money invested in the risky bonds represented more than a third of the \$6.7m in its securities lending portfolio.

CMOs range in riskiness from highly geared instruments whose price can move quickly as interest rates

change to standard fixed-income securities.

Bank of Montreal said the CMOs in the Harris portfolio were capped floating-rate notes - instruments which pay a higher interest rate as market rates rise, but only to a certain ceiling.

The losses were caused by the sharp fall in loan repayments by mortgage borrowers in the US, Bank of Montreal said. As repayments decline, the duration of the bonds grows longer, hitting their value - a trend which has caused widespread price falls in mortgage-backed bonds.

The \$2.3bn of bonds have been taken over by Bank of Montreal, which said it had sold \$500m of the holdings in recent days. The remainder will be held as an investment, the bank said. As a result, the bank will not have to mark the bonds to market, something Harris would have had to do under US accounting rules.

## GiroCredit to remain independent says chief

By Ian Rodger in Zurich

GiroCredit, Austria's third largest bank, aims to remain an independent force in spite of the purchase by Bank Austria, the country's largest, of a controlling stake in it two months ago.

Mr Herbert Lugmayr, Giro's new chief executive, said the bank would co-ordinate its activities with Bank Austria in a few areas where joint efforts were sensible, but would pursue its own strategies in most.

It was planning a public flotation of shares within the next two years provided its earnings improved and dividends could be restored. The bank expected to achieve an unchanged Schöbn (\$177m) operating profit this year, he said.

Last February, following a two-year tussle between the two largest savings banks groups, Bank Austria and First Austrian, over the future shape of Giro, Bank Austria unilaterally bid for enough shares to take its 30 per cent stake to a small majority.

Since April, when Bank Austria achieved its objective, analysts have been wondering how this socialist bank would treat its traditionally conservative acquisition.

Its quick decision to appoint Mr Lugmayr as chief executive provided few answers. He is a socialist and spent most of his career in Zentralsparkasse, one of Bank Austria's predecessors, before joining Giro's management board in 1988.

However, Mr Lugmayr said in an interview that Giro would remain a basically conservative bank. "It will be independent from Bank Austria. They have not tried to exert pressure."

He said the two banks would co-operate mainly in foreign business and data processing. Also, Giro's highly rated capital markets department would be merged with Bank Austria Investment Bank.

Giro would then concentrate on its core business, supplying various financial services to its savings bank owners throughout Austria.

## Sanofi shifts centre of gravity

The drugs group has taken a big strategic step, says John Ridding

Mr Jean-Francois Dehecq, chairman of Sanofi, the French pharmaceuticals group, compares his company to a locomotive. After last week's deal, which brings the prescription drugs business of Eastman Kodak of the US and involves the sale of its own bio-activities division, the locomotive has been firmly shunted towards a new destination.

"It is a major strategic step," declares Mr Dehecq, arguing that the centre of gravity in the company would now shift squarely towards pharmaceuticals. The group's cosmetics division, which includes Yves Saint Laurent and Yves Rocher, will remain a core business. But even here, cash-flow will be used to help finance the company's pharmaceutical ambitions.

The bio-activities division, until last week the third pole of the company, will be used to provide a much quicker source of finance. The businesses, ranging from food additives to veterinary products, will be sold to pay the bill for the \$1.68bn acquisition of the prescription drugs business of Sterling Winthrop from Kodak.

So what lies behind the strategic step? Mr Dehecq has long expressed a desire to expand in the sector and push his group, a subsidiary of Elf-Aquitaine, the recently-privatised oil company, into the ranks of the world's largest pharmaceuticals groups. This week's deal propels Sanofi into the top 20

international drugs companies, with annual sales of FF9.2bn (\$870m) and a base in most of the world's biggest markets.

Such ambitions lay behind the strategic tie-up with Sterling Winthrop. Formed in 1991, the alliance gave inexpensive access to markets in the US, Latin America and Asia. But Kodak's announcement in May that it would sell its healthcare activities to focus on core businesses signalled the end of the alliance and gave Sanofi the opportunity to go it alone by buying parts of its US partner.

Kodak's decision also gave Sanofi a strong bargaining position. "Sanofi was effectively a poison pill in Sterling Winthrop because of the alliance agreements," says Mr Peter Smith, pharmaceuticals analyst at James Capel.

This helps explain what most analysts regard as a good price for the acquisition. "The amount they paid was at the lower end of what we were expecting," said one.

But the price will only prove reasonable if the logic of the deal can be proved. "We are making a bet on pharmaceuticals," admits Mr Dehecq.

He believes the odds are tilted in his favour because the acquisition will expand the company's direct presence in international markets, from the US to south-east Asia, provide an outlet for products in the pipeline, and because economies will be achieved through merging the businesses of Sanofi and Sterling Winthrop.

## Results 1991-93 (FFm)

Total sales	1993	1992	1991
48.45bn	43bn	-	-
Net profits	1993	1992	1991
1.17bn	1.05bn	950m	-
R&D expenditure	1993	1992	1991
2.3bn	2.07bn	1.85bn	-
Sales breakdown by division 1993	FFm	FFm	FFm
Human healthcare	FF9.24bn	-	-
Bio-activities	FF1.4bn	-	-
(including Entremont, cheese-making activity, which is not to be sold)	-	-	-
Perfumes and beauty	FF12.1bn	-	-

Source: Sanofi

"We will not be a Merck," admits Mr Dehecq, "but we will have a foot in the door to market our new products."

As for cost-savings, Mr Dehecq argues that the merging of the businesses will provide economies not available to the joint venture with Sterling Winthrop. Head office functions can be combined, as can marketing and development budgets.

These synergies, he believes, combined with the profits of Sanofi's new businesses will soon feed through to the bottom line. "Earnings per share should be 10 to 15 per cent higher in 1995 as a result of the acquisition," he estimates.

Such forecasts should be welcomed at Elf-Aquitaine, Sanofi's parent, which last Friday

forecast a fall in operating profits of up to 20 per cent in the first half of the year.

As with any important strategic decision, however, there are question marks. In this case, many relate to the disposals necessary to finance the deal.

Mr Philippe Jaffré, chairman of Elf-Aquitaine, has issued strict instructions to subsidiaries to the effect that debt must not be increased. Neither did Elf want to see its 52 per cent stake in Sanofi reduced through a capital increase.

As a result, Mr Dehecq must sell assets. He says he is confident that buyers will be found for the bio-activities division, and Sanofi has already been contacted by almost a dozen potential suitors.

With a gearing ratio of 20 per cent, and net debts of between FF7.2bn and FF9.3bn, a bridging loan can be easily arranged, he says.

An additional challenge is that Sanofi is far from alone in seeking to expand in pharmaceuticals. The plethora of recent acquisitions and mergers in the industry are evidence of stiff competition in the sector. Mr Dehecq argues that prescription drugs are not exposed to the low price competition of non-prescription over-the-counter drugs and that new products over the next few years will allow the group to expand from its newly-gained bridgehead. That, alone, will determine whether Sanofi can stay on track.

## PosGold cleared to buy stake in Boddington mine

By Nikk Tait in Sydney

The West Australian Supreme Court has cleared the way for PosGold, part of Mr Robert de Crespigny's Normandy Resources group, to purchase a 40 per cent stake in the Boddington gold mine from Reynolds Metals.

The court dismissed a claim by Newcrest Mining, which has a 20 per cent interest in the West Australian mine, that it had certain pre-emptive rights over the sale of interests in the joint venture.

However, Newcrest is seeking a stay of proceedings

"pending consideration of the grounds for any appeal". That was duly attacked by PosGold, which is therefore unable to complete the deal and said it was "disappointed at the prospect of further delay and expense".

The Reynolds/PosGold deal - which involves payment of US\$116m plus delivery of 30,000 ounces of gold over seven years - had originally been due to close in March.

The ruling, if it is upheld, may facilitate Shell Australia's planned sale of its metals interests, which include 37.5 per cent of the Boddington mine.

## Forn rescued from liquidation

By Judy Dempsey in Berlin

Forn, the successful east German refrigerator company has been rescued from liquidation after the Treuhänder investment agency secured investment commitments from the London-based East German Investment Trust fund (EGIT).

EGIT will hold 47 per cent of Forn, and will put up DM11m (\$6.7m) in capital. However, the Treuhänder, anxious to save Forn, one of the region's most innovative companies, has agreed to allow EGIT to reduce its purchase price of Hausaltersgerätee, which holds the majority stake in Forn.

## Brewers fight for China's growing market

Continued from Page 25

possible in establishing a national brewing network. Foster's and Wheelock are looking at establishing "greenfield" breweries in Tianjin, Wuhan and Chengdu. Mr Norstad said it would "depend on circumstances" whether these were joint ventures with local producers.

International brewers are pursuing widely differing strategies. According to China's Ministry of Light Industry, some 30 separate partnerships have been established with foreign entities.

There is also Anheuser-Busch's 5 per cent stake in Tsingtao, purchased last year

when the Chinese brewer floated on the Hong Kong market.

Others seeking to position themselves in the market either through joint ventures or licensing are Asia Pacific Breweries, a venture between Fraser and Neave of Singapore and Heineken, the Dutch brewer; San Miguel of the Philippines; Beck's of Germany; Kirin of Japan; Carlsberg of Denmark; Pabst Brewing of the US; and Lion Nathan of New Zealand. Notable by their absence at this stage are the larger UK brewers.

Hong Kong-listed companies,

including China Strategic and China Resources, are also investors in China ventures. Mainland-backed China Resources has a majority stake in a Shenyang brewery in the north-east, and China Strategic has ventures with brewers in Beijing and Hangzhou.

With all this activity it would be hard to disagree with Kleinwort Benson's assessment that the beer industry in China is "at a crossroads". The penetration of foreign beers and premium local brands is certain to gather pace as Chinese consumers become more discerning and affluent.

## NOTICE OF REDEMPTION AT THE OPTION OF THE HOLDERS OF Texas Instruments Incorporated 24% Convertible Subordinated Debentures due 2002.

Notice is hereby given pursuant to the provisions of the Indenture dated as of September 29, 1987 (the "Indenture") between Texas Instruments Incorporated (the "Company") and Bankers Trust Company, as Trustee, and in accordance with paragraph 4(a) of the Terms and Conditions of the Debentures set forth on the reverse thereof, that:

- Each Debenture may be redeemed at the option of the holder thereof during the 30-day period beginning on September 29, 1994, in whole or in part in increments of \$5,000 at 100 percent of the principal amount to be redeemed plus accrued interest to the Redemption Date;
- The Redemption Date shall be September 29, 1994 unless a date within the 30-day period beginning on September 29, 1994 is specified in the Notice of Redemption at Holder's Option given by a holder to one of the paying agents noted below;
- To exercise the option to elect to redeem, a holder shall, on or before August 29, 1994 but not prior to July 29, 1994, present its Debenture(s) with written Notice of Redemption at Holder's Option substantially in the form on the reverse thereof duly completed (together with all the coupons maturing after September 29, 1994) to one of the paying agents noted below, together with (a) instructions as to the principal amount to be redeemed and (b) instructions for the payment thereof, including instructions in accordance with paragraph 2(a) of the Terms and Conditions of the Debentures;
- Exercise of the option to elect to redeem shall be irrevocable, nevertheless the holder shall retain the right to convert the tendered Debenture(s) into Common Stock at the Conversion Price of \$82.875, provided that notice of such conversion substantially in the form on the reverse of the Debenture and the holder's nontransferable receipt of deposit for such Debenture(s) are delivered to the paying agent which issued such receipt on or prior to the close of business on September 29, 1994. In the event such Debentures are converted on (but not prior to) September 29, 1994, such holder shall be entitled to receive the interest payable on such Debentures on such date.

Surrender of Debentures for redemption may be made at any one of the paying agents listed below:

Bankers Trust Company  
Corporate Trust and Agency Group  
1 Apple Street  
Broadway  
London EC2A 2HE

Swiss Bank Corporation  
1 Aeschenvorwerk  
CH-4002 Bale  
Switzerland

Bank of Montreal  
39 Albert Schaffer  
L-2520  
Luxembourg

By: Bankers Trust Company,  
as Trustee

Dated: June 27, 1994

## ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

Company Registration No. 01202916

## NOTICE TO MEMBERS

## ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-seventh annual general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 11 August 1994, at 09.00, for the following business:

- To receive and consider the annual financial statements for the year ended 31 March 1994.
- To elect directors in accordance with the provisions of the Corporation's articles of association.
- To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution: "That subject to the provisions of the Companies Act, 1973, as amended, and the rules and regulations of The Johannesburg Stock Exchange, the Directors are hereby authorised to allot and issue in their discretion all the remaining authorised but unissued share capital of the Corporation for such purposes as they may determine after setting aside so many shares as may be required to be allotted and issued by the Corporation pursuant to the Share Incentive Scheme".

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation. If required, forms of proxy are available from the Head Office and London Office of the Corporation.

By order of the Board  
C. L. MALTRY  
Secretary  
27 June 1994

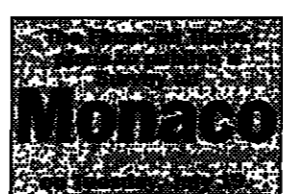
Registered and Head Office  
44 Main Street,  
Johannesburg 2001

London Office:  
19 Charterhouse Street  
London EC1N 6QP

The 1994 annual report is being posted to registered shareholders today and copies are available for holders of share warrants to bearer from the London office.

All Advertisement bookings are accepted subject to our current Terms and Conditions, copies of which are available by writing to

The Advertisement Production Director  
The Financial Times  
One Southwark Bridge  
London SE1 9HL  
Tel: 071 873 3223  
Fax: 071 873 3064



The undoubted business and tourist appeal of the Principality will be enhanced with particular emphasis on Banking, Finance, Business Services and the successful Conference Industry.

Seen around the world by a million plus readers this survey will be an ideal advertising medium for all businesses involved in the European market.

For an editorial appraisal and advertising information call Tel: (31) 42 97 96 26 or Fax: (31) 42 97 96 24

FT Surveys

This advertisement is issued in compliance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Universal Ceramic Materials PLC ("the Company") to be admitted to the Official List. It is emphasised that this advertisement does not constitute an offer or invitation to any person to subscribe for or to purchase securities. It is expected that dealings in the ordinary shares of 5p each will commence on 30 June 1994.



## UNIVERSAL CERAMIC MATERIALS PLC

(Incorporated in England and Wales under the Companies Acts 1985 to 1989)

(Registered in England No. 272070)

## PLACING

by

BEESON GREGORY LIMITED

of  
7,848,839 Ordinary Shares of 5p each  
at a price of 86p per share

## Share Capital

immediately following the Placing and redemption of the issued preference share capital of the Company

Number	Amount	Issued and fully paid	
29,277,600	£1,463,880.00	Number Amount	
		21,958,205	£1,097,910.25

The Company is a supplier of fused minerals to international markets. Copies of the Listing Particulars relating to the Company may be obtained during normal business hours on any weekday (Sundays and public holidays excepted) from the Company Announcements Office of the London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2R 7EJ (for collection only) from the date of this notice up to and including 28th June 1994 and from the date of this notice up to and including 11th July 1994 from:

Beeson Gregory Limited  
The Registry  
Royal Mint Court  
London EC2N 4EY  
A Member of The Securities and Futures Authority Limited

Harford Registrars  
Harford House  
101-103 Great Portland Street  
London W1N 6BH

Universal Ceramic Materials PLC  
Doxey Road  
Stafford ST16 1DZ

27th June 1994

The Financial Times plans to publish a Survey of Bolivia on Wednesday November 23rd

With over two years of economic and political reform to its credit and the recent inauguration of its third successive democratic government, Bolivia is an increasing strength in Latin America. The survey will report on the country's economy, political scene, financial markets, privatisation policy and more.

For more information on editorial content and details of advertising opportunities available in this survey, please contact:

Penny Scott in New York  
Tel: (212) 688 6800 Fax: (212) 688 6229  
Suzanne Borg in London  
Tel: (444 71) 873 4816 Fax: (444 71) 873 3585

FT Surveys

## £75,000,000 WOOLWICH BUILDING SOCIETY

9% Fixed Rate/Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from June 23, 1994 to December 23, 1994 the Notes will carry an interest rate of 5.67% per annum. The interest payable on the relevant interest payment date December 23, 1994 will be £28.43 per £1,000 principal amount and £142.14 per £5,000 principal amount.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
June 27, 1994

CHASE

## Citicorp Banking Corporation U.S. \$250,000,000

Guaranteed Floating Rate Subordinated Capital Notes

Due July 10, 1997

Unconditionally Guaranteed on a Subordinated Basis by CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 5.25% and that the interest payable on the relevant interest payment date, September 27, 1994, against Coupon No. 40 in respect of US\$10,000 nominal of the Notes will be US\$134.17.

June 27, 1994, London

By: Citicorp, N.A. (Issuer Services), Agent Bank CITIBANK

THE LEEDS LEEDS PERMANENT BUILDING SOCIETY (Incorporated in England under the Building Societies Act 1986)

Issue of up to an aggregate of £200,000,000 Subordinated Variable Rate Notes with a maturity of 12 years

Notice is hereby given that for the three months' interest period from June 23, 1994 to September 23, 1994 (92 days) the Subordinated Notes will carry an interest rate of 5.8875%. The interest payable on September 23, 1994 for the Subordinated Notes will be £148.40.

By: The Chase Manhattan Bank, N.A.  
London, Principal Paying Agent  
June 27, 1994

CHASE

A PRIME SITE FOR YOUR COMMERCIAL PROPERTY ADVERTISING

Advertise your property to approximately 1 million FT readers in 160 countries.

For details:  
Call Emma Mullaly on 071 873 3574  
or Fax: 071 873 3098

SCHRODER JAPANESE WARRANT FUND LIMITED NOTICE AND AGENDA

NOTICE is hereby given that the Fourth Annual General Meeting of Schroder Japanese Warrant Fund Limited will be held at 10.30 a.m. on 22 July 1994 at Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands GY1 3QL for the purpose of considering and, if thought fit, passing the following resolutions:

- To receive and adopt the Report of the Directors and the Accounts for the year ended 31 March 1994.
- To re-elect Coopers & Lybrand as Auditors of the Company.
- To authorise the Directors to agree the Auditors' remuneration.
- To consider Any other Business.

Registered Office: Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey

By Order of the Board: Schroder Investment Management (Guernsey) Limited Secretary

VOTING ARRANGEMENTS FOR IDB-HOLDERS

IDB-Holders who wish to vote must follow the following procedure: If the IDBs are held in an account with Euroclear or CEDEL, IDB-Holders must contact Euroclear or CEDEL, instructing them to block the IDBs in the IDB-Holder's account until conclusion of the meeting and specify the manner in which the votes attributable to the IDBs should be cast. If the IDBs are not held through Euroclear or CEDEL, IDB-Holders must ensure that their voting instructions, together with either their IDBs or their bank's confirmation of deposit (including IDB serial numbers), reach the Depository at the latest on July 19, 1994 at the address given below (attention: Securities Department - telephone 322.508.86.42-telex 21752 MORBK-S).

Copies of the Annual Report are available from the Company's registered office and the Depository at the address indicated below.

Depository: Morgan Guaranty Trust Company of New York  
35, Avenue des Arts, 1040 Brussels

LOW COST SHARE DEALING SERVICE 081-944 0111

COMMISSION FROM £10 MINIMUM TO £99 ANNUAL FEE ANY TRADE

WILLIAM B. TAYLOR & SONS LTD  
25, MARK LANE, LONDON EC3R 7DF  
TELEPHONE 071 403 1111

# FINANCIAL TIMES

## MARKETS

### THIS WEEK

Global Investor / Martin Dickson in New York

## A green-backed bear



International markets face a serious test of confidence this week. The dollar crisis shows no signs of abating and it has now pushed US long bond yields, which set the pace for global markets, very close to the bottom of their recent trading range. A significant downward break-out would send fresh shock waves through fixed income and equity markets around the world.

The weekend resignation of Japanese Prime Minister Hata has hardly helped market stability. The political turmoil in Tokyo is likely to intensify pressure on the dollar this morning, with traders arguing that it will make a US-Japanese trade agreement much harder to achieve.

This in turn increases the likelihood of further rounds of concerted central bank intervention to stabilise the dollar, but there is little reason to think this will prove any more successful than Friday's Gambia-like failure to stem the tide running against the US currency.

Whatever the cause of the dollar's weakness (inflation worries, the US trade deficit, distrust of President Clinton), the central message of the mar-

ket is that the US does not offer nearly large enough a risk premium to encourage foreign investors to hold American assets.

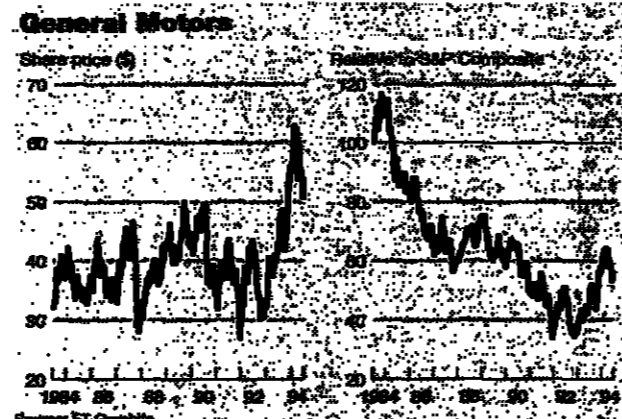
The markets suspect this will force the Federal Reserve to tighten monetary policy again, either at the next meeting of its policy-making committee, on July 5 and 6, or even before then.

Irrespective of currency factors, the robust (though slowing) American economic expansion probably justifies another quarter point rise in the Fed Funds rate some time over the summer, but gradualism of that order will hardly encourage investors to hold dollars, while a sharp rise in rates would risk damaging the economic recovery.

Last week's sharp drop in bond and equity prices has already factored some tightening into the US market, but that may not prevent further market instability if the Fed does act.

The low rate of US inflation may give some underpinning to the bond market. Although Wall Street has been focusing anxious attention on the recent sharp increases in commodity price indices, the fact is that labour costs are a far more important component of output and they appear to still be well under control.

The equity market, however,

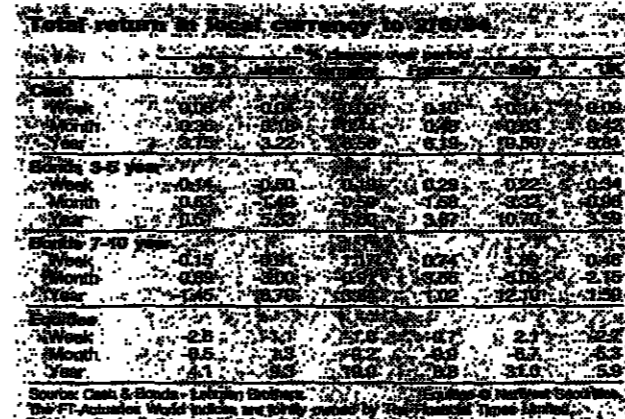


looks more vulnerable. Since the Fed first tightened in early February, the Dow Jones Industrial Average has been relatively robust, losing less than 10 per cent of its value at the worst point and trading in a drifting, sideways range.

There has, however, been a slight downward bias to the movement and last week's near 140-point drop brings the average near the bottom of its

post-tightening trading range. Until now, investors have bought on the dips and private individuals have continued to be net investors in stock mutual funds.

However, mutual fund cash inflows dropped last week to their lowest level since early April, when the market suffered its only week of net redemptions this year, and further dollar problems will only



increase the private investor's edginess.

If the Dow dips through 3,500, it could trigger a sharp drop in US equities over the coming weeks, with an inevitable ripple effect around the world. The US market correction of the past five months has yet to produce the kind of sharp downward lunge, the final submission to the bear, which often marks a turning

point. Unless the dollar bounces, one could be coming.

### Mexico

Emerging markets will take their lead this week from Wall Street, but Mexico could face additional volatility following Friday's resignation of interior minister, Mr Jorge Carpizo McGregor, even though this was rejected by President Sal-

nas, who will try and twist Carpizo's arm this week.

Carpizo is the man responsible for Mexico's August 21 presidential election and his departure, complaining that "diverse efforts" are trying to block his efforts for fair poll, are bound to throw fresh doubts on the validity of the country's electoral processes.

Some analysts suspect his resignation may be linked to that of Mr Manuel Camacho Solis, who last week stood down as the government's peace envoy to Zapatista rebels after criticism from ruling PRI presidential candidate Mr Ernesto Zedillo. The implication is that Camacho Solis (who may include Carpizo) will not support Zedillo's campaign.

The resignation increases the perception of political risk in Mexico. The IPC index fell 55.66 after Friday's news and is down 16 per cent on the year.

Mr Geoffrey Dennis of Bear Stearns says the country is suffering from a "buyers' strike", with investors seeing little reason to buy.

He thinks the country remains a long-term buy but does not rule out further short-term weakness.

### General Motors

This week General Motors is expected to announce its first big shake-up in senior manage-

ment since the autumn of 1992, when the board ousted Mr Robert Stempel and replaced him as chief executive with Mr Jack Smith.

Mr Smith will remain chief executive but hand over responsibility for GM's North American vehicle operations to young Turk Mr Rick Wagoner. The handover is a measure of how far Mr Smith has turned round GM's North American operations. In the first quarter they were more than \$500m in the black, thanks to, in part, an improving market, which has allowed all US car manufacturers to cut sales discounts.

But the distance GM still has to go was underlined by a report last week from consultancy Harbour & Associates, which estimates it would have to cut 20,000 jobs to become as efficient as Ford.

GM shares trade on a 1994 p/e ratio of a mere 7.3 and many Wall Street analysts rate it a buy, given its recent performance and the strong cyclical upturn in North American vehicle sales.

But GM still has much to prove, the market will soon start focusing on the next cyclical downturn (if it has not already done so), and a very jittery equity market means this is not the time to be increasing exposure to US consumer durable stocks.

### COMMODITIES

## Diamond record possible

First-half sales by De Beers' Central Selling Organisation, which controls at least 80 per cent of world trade in rough (uncut) diamonds, are reported on Wednesday and are widely expected to match or even exceed the record US\$2.54bn achieved in the first six months of 1993.

That does not mean, however, that the diamond market is in sparkling condition. De Beers is being pressed on two fronts: By its customers, who cut and polish gem diamonds and by the Russians,

who supply about 25 per cent of the stones that are sold by the cartel.

The big customers are complaining that their profit margins have been squeezed so hard during the past two years that they are now practically non-existent.

The CSO is to meet a delegation to discuss these problems. The CSO drastically reduced the number of diamonds it made available at its two most recent "sights" or sales, a move welcomed by the cutters and polishers.

Meanwhile, difficult negotiations in Moscow about a new contract between Russia and the CSO will continue in Moscow next month. Some Russians are pressing for big changes and it is unlikely that agreement will be reached quickly.

Mr Mark Cockle, editor of CRU International's Diamond-taire newsletter, says: "The likely outcome of the talks - having to choose between terms that threaten to push Russia out of the cartel or alternatively favour Russia to

the point of antagonising South Africa and Botswana mining interests - is one De Beers' officials want to postpone as long as possible."

On Wednesday the International Wheat Council's annual World Grain Conference will be held in London. Speakers include Mr Eugene Moss, US undersecretary of agriculture, Mr Zhou Mingchen, chairman of China's Cerillfoods, and Mr Warren Lavorel, deputy director general of the General Agreement on Tariffs and Trade.

Richard Mooney

### Economics Notebook

## Shortage of capital?



In economics, as in other walks of life, new ideas are rare. So it is not surprising that faced with the conundrum of sharply rising bond yields in the world's capital markets, some analysts and commentators have revived the notion of a global capital shortage. The last time the idea did the rounds was after the Gulf War of 1991, when extravagant estimates of the costs of rebuilding Kuwait were thrown together with back-of-the-envelope calculations of the bill for modernising the former communist countries of eastern Europe and the Soviet Union.

Talk of a global capital shortage was quickly forgotten as the recession of the early 1990s stifled investment and the problems of turning former communist countries into market-based economies became apparent. Last year's speculative bond market boom also seemed to indicate that funds for investment were not in short supply. But as economists and analysts seek to explain the upwards spike in long-term interest rates over the past six months, some are re-examining the idea that capital might be scarce.

One such economist is Mr Peter Warburton of Robert Fleming Securities. He believes the world experienced a global monetary bubble in 1992-93 that obscured a secular fall in private and public sector savings in the industrialised countries. "It is not that we have a capital shortage that has happened suddenly", he says.

There is plenty of evidence suggesting strong demand for capital. Only last week, the Paris-based Organisation for Economic Co-operation and Development (OECD) reported that the total net resource flow from industrialised to developing and former communist countries was a record \$159.5bn last year, up from \$153.2bn in 1992 and higher

than the 1991 level of \$124bn. Global claims on capital seem set to grow further.

In the industrialised world, economic recovery is spreading from the Anglo-Saxon countries to Germany, the rest of the European continent and Japan.

Industrial country governments are still running large budget deficits. In its recent World Economic Outlook, the International Monetary Fund complained: "Most if not all industrial countries failed to consolidate their fiscal positions adequately in the 1990s and entered the 1990s with high actual and structural budget deficits, high public debt to GDP ratios and considerable unfunded pension liabilities."

The IMF has forecast that the industrial countries' budget deficits will fall to 3.5 per cent of their gross domestic product next year against 4.2 per cent. Although an improvement, this would still leave the overall budget shortfall well above the 3 per cent

of GDP deemed prudent for European Union countries by the authors of the Maastricht Treaty and substantially higher than the recent low of 1.3 per cent of GDP in 1988.

The dynamic newly-industrialising economies of Asia continue to grow robustly while other developing nations, including China, India, Vietnam, Argentina and Chile, are expanding rapidly. When populous giants such as China, India and Indonesia stir, the effects in terms of demand on financial resources can be great indeed.

In his recent Hayek memorial lecture to the Institute of Economic Affairs in London, Mr Peter Sutherland, the director general of the General Agreement on Tariffs and Trade (GATT) pointed out that the world's population is set to increase by nearly 2bn in the next 20 years. Of these, 95 per cent would be born in countries other than the industrialised member states of the OECD.

"One consequence is that between now and the year

2015, the number of new jobs required to keep unemployment rates unchanged in the developing world will exceed the current populations of western Europe and North America combined", Mr Sutherland said. "The economic implications are manifold, including competition for capital."

This increase in activity comes as savings rates are falling around the globe.

By contrast, savings in the developing world, and in Asia in particular, have been strong. According to the BIS in Basle, the developing nations share of the world's \$5,000bn pool of savings was 20 per cent in 1992, up from 12.5 per cent in the early 1970s, and higher than the US share. But savings as a percentage of GDP have started to decline in the developing as well as the industrial countries.

But how will our lives be affected if there really is a world capital shortage?

One distinct possibility is that the low bond yields at the end of 1993 and the start of 1994 will turn out to have been no more than a passing phenomenon. Even though some of the near 3 percentage point increase in 10 year UK gilt yields from low to recent high and the roughly 2 percentage point jump in comparable US rates may unwind, capital scarcity would be certain to leave real interest rates higher than 6 months ago.

With globalisation, that means the required real rates of return on investment would increase throughout the world. Given their higher costs, the industrialised countries would find it even more difficult than today to compete with the fast-growing developing nations of Asia in labour intensive production of low-tech tradable goods.

In the industrialised world, the need for higher skills and more high value-added occupations would grow ever more intense.

Peter Norman

## MBOs

### -Weighing up the Options-

Acquisitions Monthly's Management Buyout Conference  
Tuesday 18th/Wednesday 19th October 1994  
The Marriott Hotel, Grosvenor Square, London W1



### Case Studies:

Bell Freight Transport Group • Peoples Limited  
Bristow Helicopter Group Limited

### Speakers include:

Roger Brooke, Candover Investments • Ian Forrest, Montagu Private Equity  
Robert Smith, Morgan Grenfell Development Capital

plus speakers from: Ashurst Morris Crisp • NatWest Ventures • Bankers Trust Company • CINVen  
Murray Johnstone • Barclays de Zoete Wedd • Gresham Trust • Foreign & Colonial Ventures  
Coopers & Lybrand • Intermediate Capital Group • Ernst & Young • Alsop Wilkinson • Lloyds Development Capital

To book a place or receive further details, please contact:  
Vanessa Foss, Acquisitions Monthly Conferences, 11 Gloucester Road  
London SW7 4PP Tel: 071-823 8740 Fax: 071-581 4331

Acquisitions Monthly is the leading mergers, acquisitions and buyouts magazine in Europe

### For a sample copy please contact:

Peggy Small, Tudor House Publications Ltd  
Lonsdale House, 7/9 Lonsdale Gardens  
Tunbridge Wells, Kent TN11 1NU  
Tel: (0892) 515454 Fax: (0892) 511547

Frances Harvey, Tudor House Publications Ltd  
PO Box 48429  
Washington, DC 20002 • 0429, USA  
Tel: (202) 396-1052 Fax: (202) 396-1053

Acquisitions  
Monthly

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd, Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	THUR JUN 23 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index	FRI JUN 24 1994	Local Index	Local % Chg	Gross Yield	US Dollar Index	Hedg. Index
-------------------------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------	------------------	-------------	-------------	-------------	-----------------	-------------	-----------------	-------------	-------------	-------------	-----------------	-------------

## EMERGING MARKETS: This Week

The Emerging Investor / Virginia Marsh

## Romania shows commitment

Romania is on course to become the latest of eastern Europe's former communist states to open a stock exchange following parliament's acceptance this month of a securities bill.

The bill, due to be promulgated within the next two weeks, paves the way for the establishment of an equity market and securities commission this autumn.

The passage of the bill is being seen as a sign of greater commitment to reform by the government which in the past three months has pushed through parliament more reform legislation than it did in its first 16 months in office.

Foreign investors have also been encouraged by signs of economic stabilisation and growth and by the agreement with the International Monetary Fund last month of Romania's first new loan agreement in two years. Under the terms of the deal the IMF

will support the minority left-wing government's reform programme with loans worth \$700m over 19 months.

The reform programme, drawn up last autumn with the World Bank and IMF, has already had promising results.

The tough monetary policy adopted by the country's reformist central bank since last November has brought inflation down to 6 per cent a month against last year's average of 12 per cent. The lei, the national currency, has been liberalised and made internally convertible. Exports are up 39 per cent over the first five months of last year while industrial production has stabilised after nearly halving between 1990 and 1993.

Foreign investors and the country's emerging private sector hope that the government will now begin structural reform in earnest by speeding up privatisation and restructuring of the state sector.

Emphasis is being placed on the stock exchange and the development of capital markets.

Certificates of ownership (COs), representing the population's 30 per cent free share in the equity of the 5,300 state companies due for privatisation, have been distributed to some 15.6m Romanians. At first the new exchange is due to trade COs while the government finalises mechanisms for their transfer into shares.

As a precursor to a mass privatisation programme, the authorities, advised by Hambros, the UK merchant bank, are preparing a series of public offers.

The aim is to sell about five medium-sized companies at a time for a combination of cash and COs. So far, the only Romanians able to use their COs to buy shares have been those participating in the privatisation of some 500 small companies via management and/or employee buy-outs.

The public offer programme will also provide foreign investors with a relatively quick and simple way to buy into a state company. Foreign companies will be able to purchase part of the 70 per cent offered for cash or to come in via a capital increase.

Until now there has been little foreign participation in the privatisation scheme. This is partly because the first companies to be sold were generally too small to attract foreign

## A burst of activity in Hungary

Hungary is experiencing an unprecedented burst of new equity issues. Public offerings in Budapest, the pharmaceutical producer, and Global, a retailer, were oversubscribed last week. Subscriptions for shares in Pharmavit, a thriving private-sector producer of vitamin pills, opened on Friday and are expected to close today or tomorrow, writes Nicholas Denton in Budapest.

Holders of compensation coupons - securities issued to victims of communist expropriation - can from today apply for shares in Citinot, a leading pharmaceutical company. Queues of investors were already growing at the weekend. Another issue scheduled for next week is that of Graboplast, a manufacturer of artificial leather. Some 58 per cent of the company, worth \$14m, is on offer from June 30. In addition, AV RT, the state holding company, gave the go-ahead for the sale of a minority stake in Richter Gedeon which the authorities hope will raise \$47m.

Although international interest in Hungary has cooled since the Budapest bourse began to fall in February, demand for new issues still remains much stronger than last year.

Interest. Uncertainty over commitment to reform, excessive bureaucracy and difficulties in setting up the six funds charged with implementing privatisation are other factors.

This has meant that most of the \$900m in direct foreign investment since 1990 has come through joint ventures rather than direct purchases. The hope is that the Budapest exchange will attract significant foreign investment like those in other central European countries.

Wasserstein Perella, the US boutique bank, has taken the lead, becoming the first western bank to set up a local merchant bank and investment fund.

Capital markets will also boost the country's cash-strapped but rapidly expanding private sector. Larger private companies involved in production are beginning to emerge from the thousands of small trading companies and farming associations set up in the immediate post-communist period. There are also many state firms, such as the Agriculture Bank, one of the country's big four commercial banks, which have diluted state ownership through capital increases.

The authorities believe that there are already enough private or partly state-owned companies planning a listing this autumn to pass the minimum of five companies needed to launch the stock exchange.

## Ecuador

The biggest single trade ever crossed on the Quito stock exchange was executed last Wednesday when the Ecuadorian government sold its remaining stake in the cement company, La Cemento Nacional, writes Stephen Fidler.

The stake - 20 per cent of the company - was bought by the London-based merchant bank Morgan Grenfell, and placed with investment institutions in the US, which took 70 per cent of the shares, and the UK.

The shares were sold by the government at the prevailing market price - \$15,000 shares were sold at \$40,000.

Ecuadorian sources (\$187) each, giving a value to the trade of about \$40m.

The shares had fallen from a peak of \$60,000 last November, in part because of a dispute with the mayor of Guayaquil about tax payments. They rallied sharply afterwards.

Bankers at Morgan Grenfell said they planned to create an unsecured global depositary receipt programme for the shares, which should be in place in about two months.

Recent excitement in emerging markets largely bypassed Ecuador, which has only moved ahead slowly with economic reform. That has meant that shares are cheaper than in other Latin stock markets.

Morgan said La Cemento's prospective price-to-earnings multiple this year is about 9, compared, for example, with 17 for Colombia's Cementos

## News round-up

Diamonds, while the dividend yield is about 7.5 per cent.

Until Wednesday, La Cemento, which sold 1.4m tonnes of cement in 1993 to generate \$128m in revenues, had been a joint public/private company since 1974.

Holderbank, the Swiss cement giant, took a 50 per cent stake in 1976, which it retains. La Cemento also has an 8.1 per cent stake in the Peruvian company, Cementos Norte Pacasmayo.

The first fund to offer foreign access to a Gulf stock market will open for trading on the London and Moscow stock markets on Thursday.

The Oryx fund, jointly managed by London-based Blakeney Management and the Oman National Insurance Company, raised \$32m in an issue completed last week.

As obliged by Omani law, 51 per cent of the fund's capital was raised in Oman, with the remainder coming from a "comfortably oversubscribed" international issue, with most interest coming from the US, the UK, Switzerland and the east Asia.

Mauritius is to open its stock market to international investors following an announcement last week in the country's budget.

Previously foreign investment in securities could be channelled only through the UK-based Mauritius Fund, which was started 18 months ago. Thirty-four securities are listed on the equity market, which saw a 200 per cent increase in turnover in 1993 as the market index surged by 119 per cent. Market capitalisation currently stands at \$18.8bn (\$1.1bn).

More than 100 companies have invested over \$10m in Burma since the ruling junta began liberalising the economy in late-1988, said Brig Gen David Abel, minister for national planning and economic development.

He added that Singapore was the major foreign investor, having invested some \$500m.

Emerging markets coverage appears daily on the World Stock Markets page

Ten best performing stocks				
Stock	Country	7/1993-6/1994	Week on week change	%
Cho Heung Bank	S.Korea	15.1416	2.1233	19.27
Eastonbank Inc	Turkey	0.1473	0.0203	16.00
Bris	Turkey	0.1097	0.0146	15.67
Merc Bank	S.Korea	12.7978	1.8276	14.81
Bank of Seoul	S.Korea	4.7842	0.6910	12.54
Cortecra Amorin	Portugal	13.9155	1.4830	12.03
Ergil Dink Ve Celik	Turkey	0.2257	0.0190	8.88
Commercial Bank of Korea	S.Korea	8.4223	0.8305	8.67
Kardias	Turkey	0.2363	0.0248	8.53
Alpha Leasing	Greece	22.1498	1.1988	5.72

Source: Baring Securities

## CURRENCY MARKETS

## Dollar bears looking for more action

In the light of the dollar's dismal performance after concerted central bank intervention to support it last Friday, the foreign exchange market will be testing the US currency's downside again this week.

Cynical markets are expected to continue to ignore favourable economic fundamentals such as steady growth and low inflation in the US in favour of speculative activity.

A host of US statistics, including a May survey of consumer confidence and the National Association of Purchasing Managers' index, will be released this week. But economists do not expect the data to affect the market as

dealers have been disregarding statistics for some time.

In Germany, important cost of living indices and figures for industrial production and the manufacturing output will be released this week.

Under normal circumstances, statistics conforming with market forecasts of a stable inflation rate at about 3 per cent and a slowdown in the pace of growth might be expected to diminish sentiment towards the D-Mark.

But most analysts believe traders are determined to drive the dollar down in an attempt to draw out further central bank action. The US government can

expect little relief from the domestic monetary policies of its G7 partners. The Bundesbank has shown it is unwilling to cut its discount rate and the Bank of Japan, while vigorously intervening on behalf of the dollar last week, is unlikely to cut its interest rates while the government of Prime Minister Tsutomu Hata is in political difficulties.

Furthermore, the Fed itself is unlikely to raise rates before the July 5-6 FOMC meeting, as US officials have been indicating that underlying inflationary pressures are under control.

Staring may test its upside against the dollar this week as

investors relinquish their view that the UK economy is merely reflecting trends in the US.

Last Friday's surprise headline figures on the UK current account deficit in the first quarter and a stable inflation profile could sustain the pound's strength against the dollar, pushing it up to the \$1.56 level.

Meanwhile, the D-Mark, the Swiss franc and the Dutch guilder may continue to benefit from jittery bond markets as they are perceived as safe haven currencies for investors seeking risk reduction.

Developments on the European crosses could also be affected by investor percep-

tions of the outcome of the EU summit in Corfu.

Masoko Rich

## Baring Securities emerging markets indices

Index	24/6/94	Week on week movement	Month on month movement	Year to date movement
	Actual	Percent	Actual	Percent
World (284)	150.38	-5.55	-5.08	-10.71
Latin America				
Argentina (19)	104.87	-1.09	-1.03	-9.12
Brazil (21)	139.01	-8.67	-8.00	-3.04
Chile (12)	185.87	-2.87	-1.52	-8.93
Mexico (24)	134.44	-5.22	-13.73	-8.51
Latin America (78)	135.91	-6.18	-4.35	-13.35
Europe				
Greece (14)	80.89	+2.48	+3.17	+0.92
Portugal (14)	103.94	-0.19	-10.98	-9.55
Turkey (22)	73.49	-0.57	-8.20	-24.04
Europe (50)	89.48	-0.50	-0.55	-1.92
Asia				
Indonesia (20)	146.33	-2.18	-1.47	-9.41
Korea (22)	127.13	+0.91	+0.72	-1.30
Malaysia (22)	211.88	-4.48	-2.05	+1.69
Pakistan (10)	113.14	+2.78	+2.52	+8.22
Philippines (11)	267.23	-8.86	-3.21	-14.32
Thailand (22)	216.66	-12.82	-5.59	-4.94
Taiwan (30)	147.97	-0.94	+4.48	+3.23
Asia (138)	194.91	-5.78	-2.88	+0.27

All indices in US dollars, January 7th 1990=100. Source: Baring Securities

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 24, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN		
Algeria (Dinar)	136.80	20.25	20.25	136.80	Algeria (Dinar)	136.80	20.25	20.25	136.80	Algeria (Dinar)	136.80	20.25	20.25	136.80
Angola (Kwanza)	200.00	20.00	20.00	200.00	Angola (Kwanza)	200.00	20.00	20.00	200.00	Angola (Kwanza)	200.00	20.00	20.00	200.00
Argentina (Peso)	16.70	1.00	1.00	16.70	Argentina (Peso)	16.70	1.00	1.00	16.70	Argentina (Peso)	16.70	1.00	1.00	16.70
Armenia (Drum)	100.00	100.00	100.00	100.00	Armenia (Drum)	100.00	100.00	100.00	100.00	Armenia (Drum)	100.00	100.00	100.00	100.00
Australia (Dollar)	1.54	1.00	1.00	1.54	Australia (Dollar)	1.54	1.00	1.00	1.54	Australia (Dollar)	1.54	1.00	1.00	1.54
Austria (Schilling)	13.76	1.00	1.00	13.76	Austria (Schilling)	13.76	1.00	1.00	13.76	Austria (Schilling)	13.76	1.00	1.00	13.76
Bahrain (Dinar)	4.76	1.00	1.00	4.76	Bahrain (Dinar)	4.76	1.00	1.00	4.76	Bahrain (Dinar)	4.76	1.00	1.00	4.76
Bangladesh (Taka)	10.00	1.00	1.00	10.00	Bangladesh (Taka)	10.00	1.00	1.00	10.00	Bangladesh (Taka)	10.00	1.00	1.00	10.00
Barbados (Dollar)	2.00	1.00	1.00	2.00	Barbados (Dollar)	2.00	1.00	1.00	2.00	Barbados (Dollar)	2.00	1.00	1.00	2.00
Belarus (Ruble)	100.00	100.00	100.00	100.00	Belarus (Ruble)	100.00	100.00	100.00	100.00	Belarus (Ruble)	100.00	100.00	100.00	100.00
Belgium (Franc)	36.36	1.00	1.00	36.36	Belgium (Franc)	36.36	1.00	1.00	36.36	Belgium (Franc)	36.36	1.00	1.00	36.36
Belize (Dollar)	2.00	1.00	1.00	2.00	Belize (Dollar)	2.00	1.00	1.00	2.00	Belize (Dollar)	2.00	1.00	1.00	2.00
Bhutan (Ngultrum)	100.00	100.00	100.00	100.00	Bhutan (Ngultrum)	100.00	100.00	100.00	100.00	Bhutan (Ngultrum)	100.00	100.00	100.00	100.00
Bolivia (Boliviano)	100.00	100.00	100.00	100.00	Bolivia (Boliviano)	100.00	100.00	100.00	100.00	Bolivia (Boliviano)	100.00	100.00	100.00	100.00
Bosnia (Marka)	100.00	100.00	100.00	100.00	Bosnia (Marka)	100.00	100.00	100.00	100.00	Bosnia (Marka)	100.00	100.00	100.00	100.00
Botswana (Pula)	1.00	1.00	1.00	1.00	Botswana (Pula)	1.00	1.00	1.00	1.00	Botswana (Pula)	1.00	1.00	1.00	1.00
Brazil (Real)	1.54	1.00	1.00	1.54	Brazil (Real)	1.54	1.00	1.00	1.54	Brazil (Real)	1.54	1.00	1.00	1.54
Bulgaria (Lev)	100.00	100.00	100.00	100.00	Bulgaria (Lev)	100.00	100.00	100.00	100.00	Bulgaria (Lev)	100.00	100.00	100.00	100.00
Burkina Faso (CFA Franc)	100.00	100.00	100.00	100.00	Burkina Faso (CFA Franc)	100.00	100.00	100.00	100.00	Burkina Faso (CFA Franc)	100.00	100.00	100.00	100.00
Burundi (Franc)	100.00	100.00	100.00	100.00	Burundi (Franc)	100.00	100.00	100.00	100.00	Burundi (Franc)	100.00	100.00	100.00	100.00
Cambodia (Riel)	100.00	100.00	100.00	100.00	Cambodia (Riel)	100.00	100.00	100.00	100.00	Cambodia (Riel)	100.00	100.00	100.00	100.00
Cameroon (CFA Franc)	100.00	100.00	100.00	100.00	Cameroon (CFA Franc)	100.00	100.00	100.00	100.00	Cameroon (CFA Franc)	100.00	100.00	100.00	100.00
Canada (Dollar)	0.69	1.00	1.00	0.69	Canada (Dollar)	0.69	1.00	1.00	0.69	Canada (Dollar)	0.69	1.00	1.00	0.69
Cape Verde (Escudo)	200.00	1.00	1.00	200.00	Cape Verde (Escudo)	200.00	1.00	1.00	200.00	Cape Verde (Escudo)	200.00	1.00	1.00	200.00
Chad (CFA Franc)	100.00	100.00	100.00	100.00	Chad (CFA Franc)	100.00	100.00	100.00	100.00	Chad (CFA Franc)	100.00	100.00	100.00	100.00
Chile (Peso)	800.00	1.00	1.00	800.00	Chile (Peso)	800.00	1.00	1.00	800.00	Chile (Peso)	800.00	1.00	1.00	800.00
China (Yuan)	8.27	1.00	1.00	8.27	China (Yuan)	8.27	1.00	1.00	8.27	China (Yuan)	8.27	1.00	1.00	8.27
Colombia (Peso)	1.54	1.00	1.00	1.54	Colombia (Peso)	1.54	1.00	1.00	1.54	Colombia (Peso)	1.54	1.00	1.00	1.54
Comoros (Franc)	100.00	100.00	100.00	100.00	Comoros (Franc)	100.00	100.00	100.00	100.00	Comoros (Franc)	100.00	100.00	100.00	100.00
Congo (CFA Franc)	100.00	100.00	100.00	100.00	Congo (CFA Franc)	100.00	100.00	100.00	100.00	Congo (CFA Franc)	100.00	100.00	100.00	100.00
Costa Rica (Colón)	100.00	100.00	100.00	100.00	Costa Rica (Colón)	100.00	100.00	100.00	100.00	Costa Rica (Colón)	100.00	100.00	100.00	100.00
Croatia (Kuna)	100.00	100.00	100.00	100.00	Croatia (Kuna)	100.00	100.00	100.00	100.00	Croatia (Kuna)	100.00	100.00	100.00	100.00
Cuba (Peso)	100.00	100.00	100.00	100.00	Cuba (Peso)	100.00	100.00	100.00	100.00	Cuba (Peso)	100.00	100.00	100.00	100.00
Cyprus (Pound)	1.00	1.00	1.00	1.00	Cyprus (Pound)	1.00	1.00	1.00	1.00	Cyprus (Pound)	1.00	1.00	1.00	1.00
Czech Republic (Koruna)	100.00	100.00	100.00	100.00	Czech Republic (Koruna)	100.00	100.00	100.00	100.00	Czech Republic (Koruna)	100.00	100.00	100.00	100.00
Dominican Republic (Peso)	100.00	100.00												



## Terry Byland

## Liberty Life blazes trail for corporate South Africa

Meanwhile, a \$70m offering for retailer Pepkor is due to be priced this week.

Domestic politics may dominate hearts and minds in Hong Kong this week, but it is unlikely to have anything more than a marginal impact as investors' attention remains firmly on the US dollar, interest rates and long bond yields, writes *Louise Lucas*.

Retail investors have gained the upper hand in the absence of institutional buyers and international players and there is scope for an upwards spike, albeit on thin turnover, in the event of progress on talks between Britain and China over the colony's future.

*Compiled by Michael Moran*

Free Range of Tenders, Stocks, Bonds and Treasuries, Commodity & Futures, Analysis, System and Web, Windows & Macintosh, no installation or download, no software, no training, no support, no UK & Europe. Call FutureSource Tel: 071-457 6857 Fax: 071-451 3542

ITT Business Enterprises Ltd. Registered Office: Number One, Lombard Street,  
London SE1 0LL. Registered in England No. 400290.

# Signal

For a range of Toolbars, Stands, Threading and Taps, Proven Chasing & Threaded Anodes, Systems and Workholding Market coverage at an unrivalled price - exclusively via SMT! re-imagined in the UK & Europe. Call FutureSource Tel: 071-557 5557 Fax: 071-491 3542

24 hours a day - Only \$100 a month!  
LIVE FINANCIAL DATA DIRECT TO YOUR PC  
FAX UK 071 016 8052 **hyperCOM** Europe +45 4567 8773

24 hours a day - Only \$100 a month!  
LIVE FINANCIAL DATA DIRECT TO YOUR PC  
FAX UK 071 016 8052 **hyperCOM** Europe +45 4567 8773

## WORLD STOCK MARKETS

EUROPE (Jun 24 / Fri)									
Amsterdam	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Bombay	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Buenos Aires	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Bursa	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Calcutta	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Colon	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Hong Kong	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Kuala Lumpur	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
London	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Manila	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mexico	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mumbai	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Nairobi	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Rangoon	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Seoul	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Singapore	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Taipei	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Tokyo	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Yokohama	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

INDICES									
Amsterdam	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Bombay	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Buenos Aires	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Bursa	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Calcutta	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Colon	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Hong Kong	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Kuala Lumpur	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
London	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Manila	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mexico	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mumbai	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Nairobi	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Rangoon	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Seoul	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Singapore	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Taipei	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Tokyo	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Yokohama	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

## Is this your own copy of the Financial Times?

Or do you rely on seeing someone else's? Every day the FT reports on the topics that matter to people doing business every day, in and from Europe.

We cover the latest European, U.S. and international news, and analyse the implications from a European perspective. In fact you'll find far more than finance in the FT.

No surprise then, that the Financial Times is read by more top business executives in Europe than any other publication.\*

Make sure you're one of them by getting your own copy of the newspaper delivered daily to your office.

\*Source: 1993

FT

The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt/Main, Germany. Tel. +49 69 156 530, Fax. +49 69 596 4483.

**SUBSCRIBE NOW AND GET THE FIRST 12 ISSUES FREE.**

Yes, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate\*.

## Read tomorrow's newspaper today. Check your Pulse.

The City news stories that will make tomorrow's front page are already on Pulse financial pager.

CALL NOW FOR YOUR FREE TRIAL ON 0800 28 28 26 EXTENSION 1157

PULSE

Financial Times

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0801 430010 and key in a 5 digit code listed below. Calls are charged at 35p/minute cheap rate and 45p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4578.

## AUTHORISED UNIT TRUSTS

Unit Trust	Code	Price	Change	Unit Trust	Code	Price	Change
Abn-Amro UK Bond	001	1.00	0.01	FT UK Equity	001	1.00	0.01
Abn-Amro US Bond	002	1.00	0.01	FT US Equity	002	1.00	0.01
Abn-Amro Global	003	1.00	0.01	FT Japan	003	1.00	0.01
Abn-Amro Europe	004	1.00	0.01	FT Australia	004	1.00	0.01
Abn-Amro Asia	005	1.00	0.01	FT New Zealand	005	1.00	0.01
Abn-Amro Africa	006	1.00	0.01	FT South Africa	006	1.00	0.01
Abn-Amro Latin America	007	1.00	0.01	FT Russia	007	1.00	0.01
Abn-Amro Middle East	008	1.00	0.01	FT India	008	1.00	0.01
Abn-Amro Pacific	009	1.00	0.01	FT China	009	1.00	0.01
Abn-Amro Europe	010	1.00	0.01	FT Asia	010	1.00	0.01
Abn-Amro Asia	011	1.00	0.01	FT Latin America	011	1.00	0.01
Abn-Amro Africa	012	1.00	0.01	FT Middle East	012	1.00	0.01
Abn-Amro Latin America	013	1.00	0.01	FT Pacific	013	1.00	0.01
Abn-Amro Middle East	014	1.00	0.01	FT Europe	014	1.00	0.01
Abn-Amro Pacific	015	1.00	0.01	FT Asia	015	1.00	0.01
Abn-Amro Europe	016	1.00	0.01	FT Latin America	016	1.00	0.01
Abn-Amro Asia	017	1.00	0.01	FT Middle East	017	1.00	0.01
Abn-Amro Africa	018	1.00	0.01	FT Pacific	018	1.00	0.01
Abn-Amro Latin America	019	1.00	0.01	FT Europe	019	1.00	0.01
Abn-Amro Middle East	020	1.00	0.01	FT Asia	020	1.00	0.01
Abn-Amro Pacific	021	1.00	0.01	FT Latin America	021	1.00	0.01
Abn-Amro Europe	022	1.00	0.01	FT Middle East	022	1.00	0.01
Abn-Amro Asia	023	1.00	0.01	FT Pacific	023	1.00	0.01
Abn-Amro Africa	024	1.00	0.01	FT Europe	024	1.00	0.01
Abn-Amro Latin America	025	1.00	0.01	FT Asia	025	1.00	0.01
Abn-Amro Middle East	026	1.00	0.01	FT Latin America	026	1.00	0.01
Abn-Amro Pacific	027	1.00	0.01	FT Middle East	027	1.00	0.01
Abn-Amro Europe	028	1.00	0.01	FT Pacific	028	1.00	0.01
Abn-Amro Asia	029	1.00	0.01	FT Europe	029	1.00	0.01
Abn-Amro Africa	030	1.00	0.01	FT Asia	030	1.00	0.01
Abn-Amro Latin America	031	1.00	0.01	FT Latin America	031	1.00	0.01
Abn-Amro Middle East	032	1.00	0.01	FT Middle East	032	1.00	0.01
Abn-Amro Pacific	033	1.00	0.01	FT Pacific	033	1.00	0.01
Abn-Amro Europe	034	1.00	0.01	FT Europe	034	1.00	0.01
Abn-Amro Asia	035	1.00	0.01	FT Asia	035	1.00	0.01
Abn-Amro Africa	036	1.00	0.01	FT Latin America	036	1.00	0.01
Abn-Amro Latin America	037	1.00	0.01	FT Middle East	037	1.00	0.01
Abn-Amro Middle East	038	1.00	0.01	FT Pacific	038	1.00	0.01
Abn-Amro Pacific	039	1.00	0.01	FT Europe	039	1.00	0.01
Abn-Amro Europe	040	1.00	0.01	FT Asia	040	1.00	0.01
Abn-Amro Asia	041	1.00	0.01	FT Latin America	041	1.00	0.01
Abn-Amro Africa	042	1.00	0.01	FT Middle East	042	1.00	0.01
Abn-Amro Latin America	043	1.00	0.01	FT Pacific	043	1.00	0.01
Abn-Amro Middle East	044	1.00	0.01	FT Europe	044	1.00	0.01
Abn-Amro Pacific	045	1.00	0.01	FT Asia	045	1.00	0.01
Abn-Amro Europe	046	1.00	0.01	FT Latin America	046	1.00	0.01
Abn-Amro Asia	047	1.00	0.01	FT Middle East	047	1.00	0.01
Abn-Amro Africa	048	1.00	0.01	FT Pacific	048	1.00	0.01
Abn-Amro Latin America	049	1.00	0.01	FT Europe	049	1.00	0.01
Abn-Amro Middle East	050	1.00	0.01	FT Asia	050	1.00	0.01
Abn-Amro Pacific	051	1.00	0.01	FT Latin America	051	1.00	0.01
Abn-Amro Europe	052	1.00	0.01	FT Middle East	052	1.00	0.01
Abn-Amro Asia	053	1.00	0.01	FT Pacific	053	1.00	0.01
Abn-Amro Africa	054	1.00	0.01	FT Europe	054	1.00	0.01
Abn-Amro Latin America	055	1.00	0.01	FT Asia	055	1.00	0.01
Abn-Amro Middle East	056	1.00	0.01	FT Latin America	056	1.00	0.01
Abn-Amro Pacific	057	1.00	0.01	FT Middle East	057	1.00	0.01
Abn-Amro Europe	058	1.00	0.01	FT Pacific	058	1.00	0.01
Abn-Amro Asia	059	1.00	0.01	FT Europe	059	1.00	0.01
Abn-Amro Africa	060	1.00	0.01	FT Asia	060	1.00	0.01
Abn-Amro Latin America	061	1.00	0.01	FT Latin America	061	1.00	0.01
Abn-Amro Middle East	062	1.00	0.01	FT Middle East	062	1.00	0.01
Abn-Amro Pacific	063	1.00	0.01	FT Pacific	063	1.00	0.01
Abn-Amro Europe	064	1.00	0.01	FT Europe	064	1.00	0.01
Abn-Amro Asia	065	1.00	0.01	FT Asia	065	1.00	0.01
Abn-Amro Africa	066	1.00	0.01	FT Latin America	066	1.00	0.01
Abn-Amro Latin America	067	1.00	0.01	FT Middle East	067	1.00	0.01
Abn-Amro Middle East	068	1.00	0.01	FT Pacific	068	1.00	0.01
Abn-Amro Pacific	069	1.00	0.01	FT Europe	069	1.00	0.01
Abn-Amro Europe	070	1.00	0.01	FT Asia	070	1.00	0.01
Abn-Amro Asia	071	1.00	0.01	FT Latin America	071	1.00	0.01
Abn-Amro Africa	072	1.00	0.01	FT Middle East	072	1.00	0.01
Abn-Amro Latin America	073	1.00	0.01	FT Pacific	073	1.00	0.01
Abn-Amro Middle East	074	1.00	0.01	FT Europe	074	1.00	0.01
Abn-Amro Pacific	075	1.00	0.01	FT Asia	075	1.00	0.01
Abn-Amro Europe	076	1.00	0.01	FT Latin America	076	1.00	0.01
Abn-Amro Asia	077	1.00	0.01	FT Middle East	077	1.00	0.01
Abn-Amro Africa	078	1.00	0.01	FT Pacific	078	1.00	0.01
Abn-Amro Latin America	079	1.00	0.01	FT Europe	079	1.00	0.01
Abn-Amro Middle East	080	1.00	0.01	FT Asia	080	1.00	0.01
Abn-Amro Pacific	081	1.00	0.01	FT Latin America	081	1.00	0.01
Abn-Amro Europe	082	1.00	0.01	FT Middle East	082	1.00	0.01
Abn-Amro Asia	083	1.00	0.01	FT Pacific	083	1.00	0.01
Abn-Amro Africa	084	1.00	0.01	FT Europe	084	1.00	0.01
Abn-Amro Latin America	085	1.00	0.01	FT Asia	085	1.00	0.01
Abn-Amro Middle East	086	1.00	0.01	FT Latin America	086	1.00	0.01
Abn-Amro Pacific	087	1.00	0.01	FT Middle East	087	1.00	0.01
Abn-Amro Europe	088	1.00	0.01	FT Pacific	088	1.00	0.01
Abn-Amro Asia	089	1.00	0.01	FT Europe	089	1.00	0.01
Abn-Amro Africa	090	1.00	0.01	FT Asia	090	1.00	0.01
Abn-Amro Latin America	091	1.00	0.01	FT Latin America	091	1.00	0.01
Abn-Amro Middle East	092	1.00	0.01	FT Middle East	092	1.00	0.01
Abn-Amro Pacific	093	1.00	0.01	FT Pacific	093	1.00	0.01
Abn-Amro Europe	094	1.00	0.01	FT Europe	094	1.00	0.01
Abn-Amro Asia	095	1.00	0.01	FT Asia	095	1.00	0.01
Abn-Amro Africa	096	1.00	0.01	FT Latin America	096	1.00	0.01
Abn-Amro Latin America	097	1.00	0.01	FT Middle East	097	1.00	0.01
Abn-Amro Middle East	098	1.00	0.01	FT Pacific	098	1.00	0.01
Abn-Amro Pacific	099	1.00	0.01	FT Europe	099	1.00	0.01
Abn-Amro Europe	100	1.00	0.01	FT Asia	100	1.00	0.01

**Guide to pricing of Authorised Unit Trusts**  
Compiled with the assistance of Laurus 55

**INITIAL CHARGE:** Charge made on sale of units when they are first purchased and is added to the purchase price. The charge is based on the price of the units at the time of purchase.

**OFFER PRICE:** The price at which units are offered to the public. The price of units is set by the manager.

**NET PRICE:** The price at which units are sold to the public. The price of units is set by the manager.

**CANCELLATION PRICE:** The price at which units are sold to the public. The price of units is set by the manager.

**REDEMPTION PRICE:** The price at which units are sold to the public. The price of units is set by the manager.

**FORWARD PRICING:** The price at which units are sold to the public. The price of units is set by the manager.

**SCHEME PARTICULARS AND REPORTS:** The price at which units are sold to the public. The price of units is set by the manager.



● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4373.

General ..... 1247A

● FT Cityline Unit Trust Prices: dial 0801 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-578 4376.

● FT Cityline Unit Trust Prices: dial 0801 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-578 4376.

[illegible]

## CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

Jan 24	Closing mid-point	Change on day	Settlement	Day's Mid	One month	Three months	One year	Bank of England
Europe	17.2683	+0.0091	915 - 071	17.2752	17.2299	17.3364	0.3	17.3888
Australia	0.6778	-0.0007	282 - 100	0.6780	0.6490	0.6303	0.2	0.6128
Belgium	0.7170	-0.0007	709 - 830	0.7171	0.7223	0.7014	-1.0	0.6985
Denmark	0.7170	-0.0007	709 - 830	0.7171	0.7223	0.7014	-1.0	0.6985
France	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Germany	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Greece	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Italy	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Japan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Netherlands	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Portugal	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Spain	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Sweden	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Switzerland	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
UK	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
US	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Africa	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Korea	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Taiwan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Thailand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Philippines	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Malaysia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Indonesia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Singapore	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Hong Kong	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
New Zealand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Argentina	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Brazil	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Canada	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Mexico	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
USA	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Africa	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Korea	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Taiwan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Thailand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Philippines	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Malaysia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Indonesia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Singapore	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Hong Kong	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
New Zealand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Argentina	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Brazil	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Canada	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Mexico	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
USA	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 24	Closing mid-point	Change on day	Settlement	Day's Mid	One month	Three months	One year	JP Morgan
Europe	1.2825	-0.0110	800 - 850	1.2830	1.2810	1.2827	-0.5	1.2825
Australia	0.6778	-0.0007	282 - 100	0.6780	0.6490	0.6303	0.2	0.6128
Belgium	0.7170	-0.0007	709 - 830	0.7171	0.7223	0.7014	-1.0	0.6985
Denmark	0.7170	-0.0007	709 - 830	0.7171	0.7223	0.7014	-1.0	0.6985
France	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Germany	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Greece	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Italy	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Japan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Netherlands	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Portugal	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Spain	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Sweden	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Switzerland	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
UK	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
US	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Africa	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Korea	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Taiwan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Thailand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Philippines	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Malaysia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Indonesia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Singapore	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Hong Kong	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
New Zealand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Argentina	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Brazil	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Canada	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Mexico	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
USA	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Africa	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
South Korea	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Taiwan	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Thailand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Philippines	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Malaysia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Indonesia	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Singapore	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Hong Kong	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
New Zealand	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Argentina	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Brazil	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Canada	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
Mexico	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461
USA	0.4570	-0.0040	336 - 421	0.4569	0.4562	0.4461	-0.5	0.4461

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

Jan 24	Spot	1m	3m	6m	12m	18m	24m	36m	48m	60m	72m	84m	96m	108m	120m	132m	144m	156m	168m	180m	192m	204m	216m	228m	240m	252m	264m	276m	288m	300m	312m	324m	336m	348m	360m	372m	384m	396m	408m	420m	432m	444m	456m	468m	480m	492m	504m	516m	528m	540m	552m	564m	576m	588m	600m	612m	624m	636m	648m	660m	672m	684m	696m	708m	720m	732m	744m	756m	768m	780m	792m	804m	816m	828m	840m	852m	864m	876m	888m	900m	912m	924m	936m	948m	960m	972m	984m	996m	1008m	1020m	1032m	1044m	1056m	1068m	1080m	1092m	1104m	1116m	1128m	1140m	1152m	1164m	1176m	1188m	1200m	1212m	1224m	1236m	1248m	1260m	1272m	1284m	1296m	1308m	1320m	1332m	1344m	1356m	1368m	1380m	1392m	1404m	1416m	1428m	1440m	1452m	1464m	1476m	1488m	1500m	1512m	1524m	1536m	1548m	1560m	1572m	1584m	1596m	1608m	1620m	1632m	1644m	1656m	1668m	1680m	1692m	1704m	1716m	1728m	1740m	1752m	1764m	1776m	1788m	1800m	1812m	1824m	1836m	1848m	1860m	1872m	1884m	1896m	1908m	1920m	1932m	1944m	1956m	1968m	1980m	1992m	2004m	2016m	2028m	2040m	2052m	2064m	2076m	2088m	2100m	2112m	2124m	2136m	2148m	2160m	2172m	2184m	2196m	2208m	2220m	2232m	2244m	2256m	2268m	2280m	2292m	2304m	2316m	2328m	2340m	2352m	2364m	2376m	2388m	2400m	2412m	2424m	2436m	2448m	2460m	2472m	2484m	2496m	2508m	2520m	2532m	2544m	2556m	2568m	2580m	2592m	2604m	2616m	2628m	2640m	2652m	2664m	2676m	2688m	2700m	2712m	2724m	2736m	2748m	2760m	2772m	2784m	2796m	2808m	2820m	2832m	2844m	2856m	2868m	2880m	2892m	2904m	2916m	2928m	2940m	2952m	2964m	2976m	2988m	3000m	3012m	3024m	3036m	3048m	3060m	3072m	3084m	3096m	3108m	3120m	3132m	3144m	3156m	3168m	3180m	3192m	3204m	3216m	3228m	3240m	3252m	3264m	3276m	3288m	3
--------	------	----	----	----	-----	-----	-----	-----	-----	-----	-----	-----	-----	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	---

**INVESTMENT TRUSTS - Contd.**[illegible]

**TRANSPORT - Contd**[illegible]

## COLLEGE ANNOUNCEMENTS

[illegible]

## Total) and Liberty NW (p

**FT Free Annual Reports Service**  
You can obtain the current (unaudited) report of any company available with a . Please quote the code FT3215. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or tel +44 81 770 3822. Reports will be sent the next working day, subject to availability.

**FT Cityline**  
For a free second share prices call FT Cityline on 0256 43 00 43 followed by the four-digit code listed after the share price. Calls charged at 35p per minute cheap rate and 40p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 nig.  
Call 071-873 4328 (+44 71 873 4328, international) for more information on FT Cityline.

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

**Continued on next page**

# BE OUR GUEST.



When you stay with us in  
**BRUSSELS**  
stay in touch - with  
your complimentary copy  
of the



FINANCIAL TIMES

## NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

## AMEX COMPOSITE PRICES

[illegible]

## GET YOUR FT BY HAND DELIVERY IN STOCKHOLM.

If you work in the business centres of Malmö, Lund, Stockholm or Gothenburg we'll deliver your daily copy of the FT to your office at no extra cost. Call Bradley Johnson for details (08) 791 2345.



## FT GUIDE TO THE WEEK

27

## MONDAY

## HK airport progress review

The Joint Liaison Group (JLG), which deals with the details of the colony's 1997 transfer to China, reconvenes. Commentators will also be looking for signs of progress on the Hong Kong airport, which has been held up as a result of China's concerns about its financing.

**US and Canadian trade and agriculture ministers meet in Chicago** in an attempt to resolve their farm-trade dispute.

Washington has threatened to impose a quota at the end of July if the Canadians fail to agree to curbs on fast-rising exports of durum wheat, used for pasta. Ottawa has threatened to retaliate against a range of US products.

**US commerce secretary Ron Brown**, on a trip to Latin America accompanied by 22 business leaders, inaugurates a US commercial centre in São Paulo. He meets Argentine President Menem on Thursday in Buenos Aires and President Frei of Chile on Friday.

**Australia's prime minister, Paul Keating**, leaves for a three-day visit to Indonesia, where he will have talks with President Suharto. Australia has been eager to promote trade ties with its nearest south-east Asian neighbour. However, the visit has been overshadowed by the Indonesian government's decision to revoke licences for three Australian news magazines.

**Nigerian military leaders meet** The Nigerian four-month National Constitutional Conference opens in Abuja. The military regime says this will help to restore civilian rule, but opponents say the government is stalling and should make way for Moshood Abiola (above), the winner of last year's annulled presidential poll, who was arrested last week.

**Vat in harmony:** The European Commission opens a conference on European enterprises and VAT. Business leaders and Brussels officials will address the problem of how to harmonise value added tax regimes in the Union by 1997.

**Chess:** Garry Kasparov faces his younger challenger in the second leg of the \$750,000 Intel Grand Prix in New York (to June 30). India's Vishy Anand won the first leg at the Kremlin.

**FT Survey:** Russia

**Holidays:** Venezuela.

28

## TUESDAY

## Korean nuclear crisis

Deputy prime ministers from North and South meet to discuss arrangements for a summit between the leaders of the two countries in an attempt to resolve the crisis precipitated by the North's nuclear programme.

**The Japanese government**, against a background of fresh political turbulence, may announce a package of deregulation and tax reform measures in an attempt to curb the high trade surplus. Events will be closely observed by Washington and foreign exchanges, and may affect the value of the yen, the week after it attained a new high against the dollar.

**China's eight-year-old bid** to rejoin the General Agreement on Tariffs and Trade enters a crucial stage with negotiations in Geneva today. Following Washington's decision in May to renew China's most-favoured-nation trading status and to dissolve the link between this issue and that of China's human rights record, the GATT negotiations are bound for the home straight. Beijing hopes to become a member by the year-end, so that China can become a founder member of GATT's successor, the World Trade Organisation.

**Chile's president Eduardo Frei** meets US President Bill Clinton in Washington. Mr Clinton has already assured Chile that it will be next in line for a free-trade agreement, but the necessary "fast-track" negotiating authority to enable that has run into difficulties in Congress.

## Haiti's exiled president

Jean-Bertrand Aristide (left), will speak on efforts to restore democracy in his country at the National Press Club in Washington. He is likely to repeat his demand for US military action to allow his return to Haiti.

## Impressionists hammered

Monet's first version of one of the most famous of all Impressionist paintings 'Un bar aux Folies-Bergères' is on offer at Sotheby's in London tonight. It is sketchy by comparison with the finished product, but a price of about £3m is anticipated. In the same auction is one of the 10 paintings of poplars completed by Monet in 1891 (above). It might also fetch £3m.

**FT Survey:** Computer Networking.

29

## WEDNESDAY

## Hong Kong awaits vote



Chris Patten (left) puts his democracy proposals for Hong Kong to the vote at today's meeting of the Legislative Council (LegCo). The governor first mooted his proposals to broaden democracy in the colony in October 1992, immediately incurring China's wrath.

China accused Mr Patten of violating the Basic Law, which lays out the constitution for Hong Kong after transition, and said that it would dismantle representative bodies upon assuming sovereignty in 1997.

Some 17 rounds of talks between Britain and China failed to resolve differences.

**Bulgarian debt:** Bulgaria and Deutsche Bank are due to sign a debt-rescheduling deal which will reduce the country's US\$9.27bn foreign commercial debt by US\$3.8bn.

Last November Bulgaria and some 300 London Club commercial banks, chaired by Deutsche Bank, agreed to reduce principal on the debt, which was racked up by the former Communist regime, by about 50 per cent, and they set a mid-1994 deadline for agreeing final terms.

Bulgaria plans to make an advance payment of more than US\$700m. The country hopes that settlement of the debt will attract foreign support in its transition to a market economy.

**India's prime minister P.V. Narasimha Rao** begins a three-day visit to Russia.

**De Beers of South Africa**, which controls at least 80 per cent of world trade in rough (uncut) diamonds via its London-based Central Selling Organisation, reports first-half sales today.

These are expected to at least match, and perhaps to exceed, the record US\$2.54bn reported for the first six months of 1993.

**Safety in numbers:** 1,321 quoted companies, about 55 per cent of those in the first section of the Tokyo stock exchange, hold annual shareholders' meetings today. The companies deliberately meet on the same day in order to frustrate the efforts of *saboteurs*, extortionist gangs who blackmail companies not to disrupt AGMs.

**Rowing:** Henley Royal Regatta, premier aquatic event of the English summer, opens (to July 3).

**Crickets:** Oxford University play Cambridge University at Lord's (to July 1).

**FT Survey:** Business Books.

**Holidays:** Chile, Costa Rica, Malta.

30

## THURSDAY

## Day gains a leap second



Today's final minute will have 61 seconds, so as to bring atomic clocks in step with solar time, which is defined by the Earth's relatively erratic rotation. Atomic clocks are accurate to one second in a million years, but the Earth is gradually slowing down.

**Bill Birch**, New Zealand's finance minister, is due to deliver the country's annual budget. It is expected to show the first fiscal surplus since the late 1970s. Mr Birch has cautioned forecasters against being too optimistic, but many economists are predicting a surplus between NZ\$200m (US\$340m) and NZ\$500m.

An important question is how NZ uses this "reward" from a decade of hard economic reform - and to what extent it chooses to meet social goals, such as a reduction in unemployment, at the expense of faster reduction in public debt.

**Abkhazian talks:** United Nations-sponsored talks resume in Geneva between the Georgian government and Abkhaz separatists on a permanent political settlement for the embattled province. Under the terms of a ceasefire accord signed in Moscow in May, some 3,000 Russian troops are being deployed to police the Abkhaz border with the rest of Georgia. Over 200,000 non-Abkhazians fled the region during brief but bloody fighting last September.

**UK by-elections:** Labour, the main opposition party, defends the Monkslands East parliamentary seat near Glasgow against a strong Scottish Nationalist party challenge. Labour has a big majority in the constituency, which was held by John Smith, the party leader who died in May. But the party is under pressure over allegations of corruption on the local council.

**Afghan president Burhanuddin Rabbani's term expires.** Prime minister Gulbuddin Hekmatyar has warned his battle to topple the president could intensify if Rabbani does not step down on time.

**Fundamentalists in Bangladesh** have called a general strike to support their demand for the death of feminist writer Taslima Nasreen on charges that she insulted Islam.

**Crickets:** Third test between England and New Zealand begins at Old Trafford, Manchester (to July 3).

**FT Surveys:** Executive Cars and Chemicals and the Environment.

**Holidays:** Ecuador (Bank Holiday), Sri Lanka, Zaire.



women and children first

French troops deployed in Rwanda's south-west aim to prevent further slaughter

31

## FRIDAY

## Russia's sell-off continues

The largest sell-off of state property in the world formally enters its second phase. Foreign investors are being encouraged to join in.

**Germany takes over the six-month rotating presidency** of the European Union. It is keen to promote opening up to eastern Europe, and to demonstrate that the Maastricht framework of closer co-operation on foreign policy and internal policing, together with enhanced powers for the European Parliament, will succeed.

**Roman Herzog**, Germany's new president and former chief justice of the constitutional court, assumes his largely ceremonial post.

**EU insurance:** Today is the deadline for member states to implement directives completing a single market in insurance.

**New currencies** are due to be introduced by Uzbekistan, the Sam, and Brazil, the Real - the country's fifth currency since 1966.

**Holidays:** Bangladesh (Bank Holiday), Canada, Ghana, Pakistan (Bank Holiday), Taiwan, Thailand.

2-3

## WEEKEND

## Historic Tour de France

Europe's premier cycling event begins on Saturday in the northern French city of Lille (to July 24).

The sweep into England, which this year comprises a symbolic stretch through the Channel tunnel as well as stages through Brighton and Portsmouth, will mark the tour's first trip across the Channel since 1974, when a circuit race was held around the Plymouth-by-pass.

The British stages will take place near the beginning of the 22-day endurance test which ends in Paris.

**Paraguayan president Juan Carlos Wasmosy** on Saturday starts a working visit to Britain. It will be the first recorded visit to the country by a serving Paraguayan head of state.

**Quince-Sissau poll:** Sunday sees presidential and parliamentary elections in this west African state.

**Sumo wrestling:** 15-day Grand Sumo Tournament opens in Nagoya, Japan, on Sunday.

Edited by Patrick Stiles and Martin Mulligan. Fax: (+44) (0)71 873 3194.

## ECONOMIC DIARY

## Other economic news

In the aftermath of the Fed's attempt to defend the dollar against the yen last week, the US and Japan will be the key economic focus this week. A clutch of Japanese statistics should indicate that Japan's recession has bottomed out, and there are mixed signs of recovery.

**Tuesday:** Analysts expect today's data will show that Japanese unemployment rose to 2.9 per cent in May, from 2.8 per cent in April, while May's retail sales were 2.9 per cent lower than May last year.

In the UK, the Treasury's revised economic forecast is expected to point to an increasingly healthy recovery. Predictions for 1994 gross domestic product growth are likely to be up from the earlier figure of 2.5 per cent, while inflation forecasts are likely to be down from 2.5 per cent.

**Thursday:** A spate of US economic indicators today and tomorrow are expected to show the recovery remains strong but spending has slowed slightly. Today's data is likely to show a small rise in factory orders in May, while Friday's purchasing managers' index is likely to reflect the healthy state of the manufacturing sector.

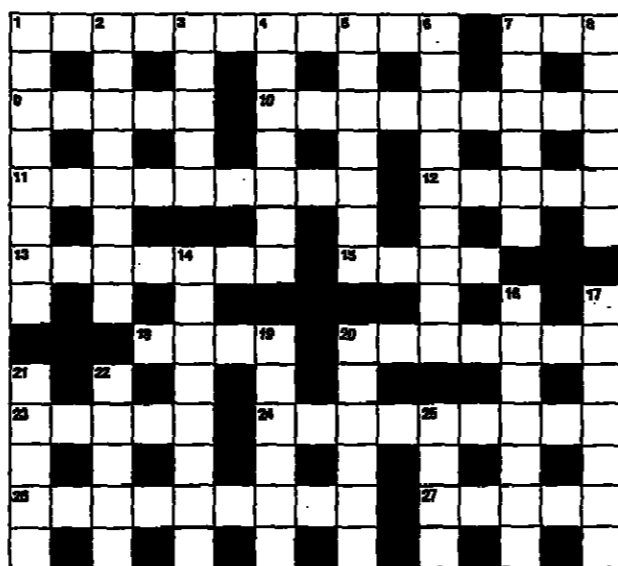
Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	May existing home sales	4.12m		
June 27	US	June trade balance	-223.340m		
Tue	US	May new home sales	679,000	688,000	
June 28	US	June consumer confidence	89.0	87.6	
US	May export price index	0.1%			
US	May import price index	-0.6%			
US	Johnson Redbook w/e June 25	3.6%			
Japan	May unemployment rate	2.8%	2.8%		
Japan	May retail sales	-0.6%	-0.5%		
Japan	Wholesale price index, 11-20 June	0.0%	0.0%		
Canada	Apr manufacturing new orders	1.1%	2.3%		
Canada	Apr manufacturing shipments	1.2%	2.7%		
Canada	May industrial production price index	0.4%	0.2%		
Wed	US	1st qtr GDP, final	3%	3%	
June 29	US	1st qtr GDP, deflator final	2.8%	2.6%	
US	1st qtr, after tax corporate profits	-3.7%	-3.7%		
US	June agricultural prices	-1.4%	-1.4%		
Japan	May industrial production	-0.4%	-0.2%		
Japan	May shipments	-2.1%	-2.1%		
Thu	US	Initial claims, w/e June 25	350,000	352,000	
June 30	US	State benefits, w/e June 18	2.78m		
US	May personal income	0.6%	0.4%		
US	May personal consumption, expend	0.2%	-0.1%		
US	May factory orders	-0.6%	-0.1%		
US	May factory inventories	0.2%			

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thu	US	May existing home sales	4.12m		
June 30	Japan	May construction output	0.9%		
(cont)	Japan	May housing starts	1.6%		
Japan	May construction value	5.1%			
France	May unemployment rate	12.3%	12.3%		
Canada	Apr real GDP, final	3.8%	3.5%		
Australia	May interest rate	4.81.100	4.81.000		
Fin	US	May leading indicators	0.1%	0.0%	
July 1	US	June M2 less Treasury Inflation Ind	67.5%	67.7%	
US	May construction spending	1%	0.6%		
Japan	May consumer price index, nation	0.9%	0.8%		
Japan	CRFs, ex-manufacturing	0.5%	0.6%		
UK	June claim first purchase mortgages index	52.8%			
During the week:					
Germany	April capital out				Drift down
Germany	June cost of living, producer	0.1%	0.2%		
Germany	June cost of living, consumer	2.3%	2.3%		
Germany	May import prices	0.5%	0.5%		
Germany	May import prices	0.5%	0.5%		
Italy	May balance of payments	Zero	-13.4%		
Italy	May official reserves	130.5T	137.8T		
Italy	May trade balance, ex-EU	10.7T	12.1T		
Belgium	June consumer price index	0.3%			
Belgium	June consumer price index	2.6%			

\*month on month; \*\*year on year; † seasonally adjusted. Statistics courtesy M&S International.

- ACROSS**
- Justification for V-sign (11)
  - A friend brings drink back (3)
  - Though solid in form, they may have fragile looking (5)
  - A crime upsets a whole continent (7)
  - Seaborne territorial detachment from the Arctic (7)
  - Produce 1 turn into a balanced diet (5)
  - Father tries moving piano first (6)
  - Set on chaps not being clerics (8)
  - I leave ridiculous organisation, it's farcical (9)
  - Here's hoping I spring a surprise (8)
  - Dries washing on lines or stays (5,3)
  - Looking pale coming out of a cinema (7)
  - Out of place competitor (4,3)
  - It's becoming a type of fraction (6)
  - A French wine cartel is broken up (6)
  - Rising back writing for papers (5)

- DOWN**
- The utility of conceit (8)
  - Time to dine on mince (5)
  - Ben is foreign dramatist (5)
  - A crime upsets a whole continent (7)
  - Seaborne territorial detachment from the Arctic (7)
  - Produce 1 turn into a balanced diet (5)
  - Father tries moving piano first (6)
  - Set on chaps not being clerics (8)
  - I leave ridiculous organisation, it's farcical (9)
  - Here's hoping I spring a surprise (8)
  - Dries washing on lines or stays (5,3)
  - Looking pale coming out of a cinema (7)
  - Out of place competitor (4,3)
  - It's becoming a type of fraction (6)
  - A French wine cartel is broken up (6)
  - Rising back writing for papers (5)



## MONDAY PRIZE CROSSWORD

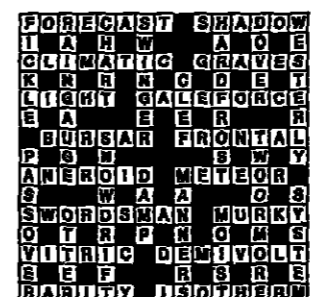
No.8,490 Set by DANTE

A prize of a Pelican New Classic 350 fountain pen for the first correct solution and five runner-up prizes of 500 Pelican vouchers will be awarded. Solutions by Thursday July 7, marked Monday Crossword 8,490 on the envelope, to the Financial Times, 1, Southwark Bridge, London SE1. Solution on Monday July 11.

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Winners 8,478 Solution 8,478

Dallas Law, Faringdon, Oxfordshire  
E.J. Hall, Liverpool  
G.W. Hands, New York, USA  
P. Miron, London W2  
E. & A. Sanders, Nether Poppleton, Yorkshire  
R.P. Wilson, London SW14



**ABB** insurance

A Leading Insurance Group in Belgium

We can provide you with the complete employee benefits service

Workers' Compensation Schemes  
Occupational Pension Schemes  
Payroll Administration  
Cafeteria-Plans  
Life Insurance  
Medical Plans



Member of the Agri Benefits Network  
Tel. +32/16/24 31 61 Fax. +32/16/24 31 65

Of broking and jobbing the Pelican's fund.  
See how sweetly he puts your word onto bond.  
**Pelican**

JOTTER PAD

Privatisation programme:  
Thrown in at the  
deep end: Page V.

# RUSSIA

Monday June 27 1994

A guide for the  
business  
visitor: Page VIII



The old and the new: a Moscow food supermarket (left) and a Noya Star joint venture shop. Entrepreneurship is thriving and shops are beginning to transform themselves from mere distribution points to much more attractive sales venues. Supershot picture: Tony Anderson

## IN THIS SURVEY

- The economy: From revolution to evolution: the economy is already restructuring..... Page II
- The military: A legacy of the communist state has resurfaced..... Page III
- Commercial banking: End of the Wild West free-for-all..... Page IV
- Agriculture: Recent reforms in the sector are full of promise..... Page VI
- Foreign affairs: The mood towards foreigners has changed greatly..... Page VII
- Editorial production: Philip Sanders

Looking at Russia today can be done through three possible prisms. Through one, we would see economic and political improvement, albeit springing from - and to an extent dragging with it - considerable chaos.

Through another, we would see a further and perhaps even more damaging confrontation between political powers and or economic collapse - albeit not leading back to a reassertion of a communist regime.

The final one is muddling through - albeit with a question mark over how far "through" gets you, and to where.

Let us take the first, and most pleasant point. After the elections of last December which produced such a strong showing for the right-and-left nationalist groupings, the triumph of the radical reformers from the cabinet did not result in an abandonment of economic reform. On the contrary: in many ways the government under Mr Victor Chernomyrdin, prime minister, squeezed more tightly on credit and inflation, to keep the latter under 10 per cent a month - good by recent Russian standards.

In March, Mr Michel Camdessus, the managing director of the International Monetary Fund, went to Moscow to negotiate

## Russians will decide their own future

No one can say which of three possible courses Russia will take as it struggles to transform itself: there are far too many imponderables, writes John Lloyd. The west can do little to influence the outcome

a loan of \$1.5bn as the second part of a systemic transformation facility - a soft loan to Russia which assisted in generating further lending from the World Bank and greater international business interest and confidence.

At the same time, Mr Anatoly Chubais, the deputy premier in charge of privatisation, has completed his great task of giving away Russian state industry to the population in exchange for vouchers. The next phase, in which the remaining shares will be bought for money and when, it is hoped - and there are some signs that the hope is realistic - Russian and foreign investment begins to restructure these companies, should now begin.

In part, this has been made possible by a political truce which contrasts extremely favourably with the fevered and inimical relations which existed between President Boris Yeltsin and his government on the one hand and the former Supreme Soviet on the other for most of 1993-94.

The leaders of the two parliamentary houses are a presidential ally - such as Mr Vladimir Shirovskiy, speaker of the Fed-

eration Council or Upper House - and a potential opponent turned ally, such as Mr Ivan Rybkin, speaker of the State Duma or lower house.

Although an early vote by the Duma released the ring-leaders of the parliamentary revolt of October last year, a more recent one, in June, confirmed a tight budget on a second reading in spite of intense pressure from the military and industrial lobbies.

The constitution which was voted in on a referendum in December 1993 unambiguously confers most power on the president, greatly moderating the struggle for primacy between the legislative and executive branches. The armed forces - including the military, the Interior Ministry and the re-vamped security force, the former KGB - are directly subordinated to the president and so far continue to show loyalty of the kind which brought them in on his side, if belatedly, in the confrontation with the Supreme Soviet last October.

Under this genuine peace, entrepreneurship thrives. Especially in Moscow and St Petersburg, the effects of this become more and more obvious, as shops begin to transform themselves from mere distribution points to much more attractive sales venues, as a wider range of goods become available, and as competition begins between companies for customers. Russian banks and financial companies, though many are still weak, now begin to produce larger and more powerful entities which are beginning to shape up to foreign competition and are training staff in the skills to make that possible.

Let us take the second prism. Through it, one sees a political and economic climate which is not peaceful, but static with ominous movements below the surface. The tight budget has been passed by parliament, but most economists and politicians believe it will be impossible to meet, and that it will buckle before the military and

other demands - sparking high inflation, perhaps hyperinflation, by the end of the year.

Privatisation, though its first stage is formally accomplished, has mainly made quasi-private monopolies of what were previous state monopolies - that is, less under any kind of control which might have moderated their predatory and uncompetitive behaviour.

The parliamentary lull is also temporary, on this view. It is the period in which the opposition forces - especially the ultra-nationalist Liberal Democratic Party led by Mr Vladimir Zhirinovskiy, the communists, and others - are extending their organisation and support, ready for an assault on the presidency and the government later in the year when the economic situation worsens.

The constitution is not really accepted by many of the political parties, and may not prove robust enough to withstand any serious challenge. President Yeltsin, though appar-

ently recovered from a shaky period at the beginning of the year which saw him disappear from view for weeks on end, is still detached from government and is given to governing by decree through a closed inner circle of advisers.

In the states surrounding Russia, conditions are mostly worse - the Baltic states, especially Estonia and Latvia, are an exception. In particular, Ukraine continues to plunge downwards economically and to produce political stasis - a state of affairs which impacts directly on Russia, since the Ukrainian region of Crimea is seeking closer ties with Russia and eastern Ukraine also supports a pro-Russian policy in contrast to the still-radical nationalism of the west of the country.

A last turn of the prism. Muddling through - which might describe much of the policy this year - has the attractiveness to the governing elite and to many others of implying no radical change.

Inflation may go up, but may again be corrected. Politics will be at times unstable, but no one powerful enough has enough stake in violent change to attempt to institute it. Privatisation does not produce much improvement in enterprise behaviour initially but, bit-by-

bit, the better managers and companies find it in their interest to modernise and restructure - leaving the bad to decay and die, even if preserved long after effective extinction to maintain employment.

The nationalists and the communists continue to exercise a malign influence on policy, especially foreign policy - but not so much as to turn the country back into autarky or outright hostility to the west, or to any other group of states - Russia is too weak for that kind of adventure.

Mr Yeltsin does not innovate but is not toppled: parliament does not bring in the necessary legislation but does not make another grab for power: the government does not fully control the economy but is not so weak as to lose power entirely. Through all of this, the tender shoots of private enterprise continue to grow as best they can - sometimes failing, sometimes partially succeeding, but generally increasing.

No one can say which of these courses will be closest to the one which Russia takes: there are far too many imponderables. The west can assist Russia to avoid the worst and can contribute at the margins by helping Russians to help themselves wherever the goals are clear and achievable. But ultimately, as always, the fate of Russia depends on the Russians themselves.

## BCEN-EUROBANK

Société Anonyme à Directoire et Conseil de Surveillance au capital de FRF 1.215.785.947,37 - R.C. Paris B 562 061 671-00015

A FRENCH BANK WITH 73 YEARS OF EXPERIENCE IN RUSSIA  
In Russia we operate in conjunction with our subsidiary  
Commercial Bank EVROFINANCE

In Paris we offer you:

ROUBLE/DOLLAR SPOT AND FORWARD EXCHANGE

ROUBLE-DOLLAR EXCHANGE RISK HEDGING

ROUBLE DENOMINATED DEPOSITS

RUSSIAN GOVERNMENT US DOLLAR BONDS

CUSTODIAL SERVICES

DEBT TRADING

L/C CONFIRMATION

## EUROBANK CONSOLIDATED BALANCE SHEET FIGURES

(on December 31, 1993, mln. FRF)

Capital + reserves	1 529	Distribution of net assets:	
Participating loan stock	1 897	CIS	24%
Capital base total	3 426	OECD	62%
Net balance sheet total (after deduction of funded liabilities)	14 156	Others	14%
Provisions	4 637		
Balance sheet total	18 793		

ONCE WE GAVE BIRTH TO EURODOLLAR

BANQUE COMMERCIALE POUR L'EUROPE DU NORD - EUROBANK  
79-81 Boulevard Haussmann - 75382 Paris Cedex 08 - Phone: (33 1) 40 06 43 21  
Telex: 280200F - Fax: (33 1) 40 06 43 15  
EVROFINANCE, Moscow - Phone: (7 095) 291-1878 - Fax: (7 095) 291-1756

# OUR CLIENTS' PROSPERITY IS OUR PROSPERITY

## RUSSIA II

Two-and-a-half years after President Boris Yeltsin launched radical market reforms, the Russian economy may finally be settling from revolution to evolution.

"The most important role of reformers now is to prevent silly things from happening," explains Mr Sergei Vasiliev, deputy economics minister and one of the few radical reformers still in government.

Six months after the election of a parliament dominated by ultra-nationalists and Communists, and the departure of senior reformers such as deputy prime minister Mr Boris Fyodorov and Mr Yegor Gaidar, this may sound a bleak assessment.

But Mr Vasiliev believes that in order to continue its tortuous march towards a market economy, Russia "doesn't even need very active reformist policies at the moment. The necessary measures are of a long-term nature and require day-to-day efforts."

Professor Yevgeny Yasin, chief economic analyst for President Yeltsin, takes this argument one step further, claiming that Russia has already completed "the main reforms" needed by its economy. "Now we need painstaking polishing work," he says, citing for example, the need for a more efficient banking and judicial system, and for a crackdown on organised crime.

At the latest end of the spectrum, Mr Sergei Glaziev, head of parliament's economic reform committee, warns that an expected 25 per cent drop in industrial production this year will mean the "liquidation" of entire sectors of Russian industry.

But dramatic Russian statistics tell only half the story of an economy that is already restructuring in what an IMF economist described as "a completely chaotic, unplanned

**Reformers who feared the worst can pride themselves on the fact that reforms have not been rolled back**

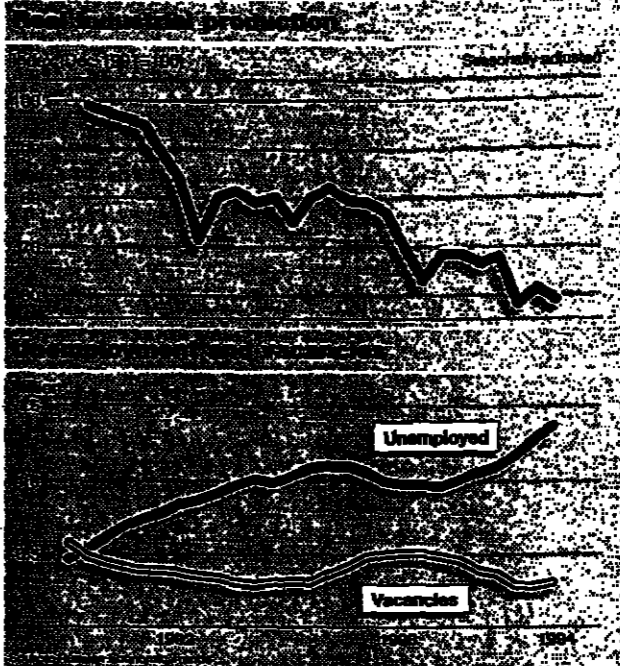
way". With services exceeding 50 per cent of gross domestic product for the first time in Russian history, industrial output, considered the most sacrosanct economic indicator under Communism, now only accounts for 30-35 per cent of GDP. A booming private economy in services and trade is under-reported and virtually untaxed. As a result, up to 40 per cent of the economy may not be taxed at all, and GDP may be undercounted by as much as 15 per cent.

In the pursuit of attempts to drive down inflation and set the foundations for economic growth, 1994 has marked the onslaught of the tightest monetary and credit policy since Russia's botched attempt at Polish-style shock therapy in January 1992.

The paradox is that the squeeze is being operated by Mr Victor Chernomyrdin, the prime minister who six months ago floated the idea of fighting inflation by "non-monetary means", and by Mr Victor Geraschenko, once dubbed the "worst central banker in the world".

The belated reformism has also been accompanied by some clumsy attempts to return to extreme state control over the economy in order to "restore order" to it. For example, one of Mr Yeltsin's least enforceable decrees issued this month, designed to crack down on tax evasion, require companies to report any banking transactions greater than \$10,000 to the tax authorities.

But reformers who feared the worst can pride themselves on the fact that reforms have



The economy is already restructuring, reports Leyla Boulton

## From revolution to evolution

not been rolled back - not least because a middle-of-the-road government which proposed to change back turned out to be ideologically bankrupt.

Mainly because the departure of the radicals left Mr Chernomyrdin and Mr Geraschenko carrying full responsibility for any resurgence in inflation, it has remained under 10 per cent a month since February, its lowest level since August 1992.

An end to subsidised credits to all enterprises except for agriculture, coalmining, and the biggest factories means that companies face a real prospect of closure unless they restructure and as long as the government maintains its tight policies. Related attempts are being made to force companies to repay the Rb22,000bn in debts they have accumulated with each other in an attempt to cushion themselves against the shock of government policies.

"How can you have a market economy where people don't pay their debts? We have to teach people to give back money they owe," says Prof. Yasin.

At the same time, a mass privatisation programme, putting 70 per cent of industry into private hands by July 1, has been allowed to draw to a successful conclusion. Foreign trade liberalisation has continued, with the lifting of quotas from next month on most exports including the oil and gas which are Russia's main source of hard currency. If carried through, these will effectively remove the last controls on domestic energy prices, as well as abolish an important source of corruption.

President Yeltsin, who returned to the economic stage with a host of decrees this month, also ordered the scrapping of exemptions from export and import duties which have cost the country dear. Mr Sergei Alexashenko, deputy finance minister, estimates that these and other tax breaks may represent as much as 7-10 per cent of GDP.

Mr Alexander Shokhin, deputy prime minister responsible for the economy, says the authorities' decision to stick to financial orthodoxy reflects a "realisation that there are no extravagant means for stimulating economic growth".

Mr Dmitry Tulin, deputy governor of the central bank, claims the new stance is due to a "general change in the mentality of monetary authorities... who, by their own expe-

rience, not through textbooks, realised there is a very simple correlation between money supply growth and the growth of prices."

Mr Chernomyrdin can also cite as his personal achievement the relative political stability which has followed the election of the new parliament and the adoption of a new constitution setting out a clear division of powers. Confounding predictions of further conflict between the executive and the legislative authorities, he recently called powerful conservative forces in the new State Duma into accepting an anti-inflationary budget for 1994.

Particularly revealing of the political elite's new understanding of economic realities was a refusal by the energy and agricultural lobbies - strongly represented in the Duma - to support

Rb15,000bn in additional spending demanded by the military. This would not only have wrecked a budget already under threat from falling tax revenues at a time when the government says it has collected only 36 per cent of tax receipts due in the first quarter of this year. It would have meant undermining their own energy and farming subsidies through a sharp increase in inflation because Russia finances its budget deficit, which will be at least 10 per cent of GDP this year, mainly by printing money.

Lying not far beneath the surface of reformers' relief over the avoidance of "ally" decisions, is concern that more is not being done by the government to push through structural reforms.

Mr Alexashenko, the reformist deputy finance minister responsible for the budget,

says "the most dangerous problem is that we have no strategic thinking in the government."

"To the extent that the government is not meeting all the needs of declining industry, there is shock therapy going on but it is a passive policy," agrees an IMF economist.

"However, there are many sectors which require a pro-active policy and in which the government has to play an organising role."

An industrial policy, providing selective government support for sectors and companies most likely to achieve growth, is described by the government as urgently-needed but has yet to materialise.

This year, for example, Russia is to spend Rb10,000bn on coal subsidies, representing almost a tenth of budget revenues projected at Rb124,000bn. But none of this money will

be used for the longer-term restructuring which is the only way to secure the Russian coal industry's future and stop a debilitating drain on the country's finances.

"There has been a chance for two years to close down at least one mine," says Prof Yasin. "Maybe there is not enough political will now, maybe different people are needed in office."

The government is also failing to build up an adequate social safety net to cope with future unemployment and prevent poverty.

Earlier this month, President Yeltsin forecast that the fight against inflation would lead to "regional" unemployment in specific parts of the country, such as Ivanovo province where textile plants have been on the verge of closure for months.

Mr Vasiliev argues that even if bankruptcies become more prevalent in Russia, the present financial policies "mean that enterprises will be dying very slowly in Russia, which is not a bad thing. We can always consider the possibility of a social outburst but I don't think there will be something sudden in this sphere."

But nobody knows exactly what the effects of these financial policies will be on overall employment, not least because the government will keep to them. Unemployment, measured in terms of job-seekers, is still remarkably low at 1.8 per cent. But it is already far greater if one counts the number of people who are being kept on by enterprises but are not being paid.

The main question over the next six months is whether the government will adhere to its financial policies when enterprises start closing down.

Although the central bank has yet to phase out so-called "directed credits" to the economy, they carry real interest rates for the first time. Although subsidies are still being found for the biggest enterprises - those with good connections to the president and prime minister - according to Mr Alexashenko - most companies now face hard budget constraints.

The central bank says it is following to the letter monetary growth targets agreed with the International Monetary Fund. A memorandum of understanding between the Fund and Russia - setting a monthly inflation target of 7 per cent by the end of the year - may be unambitious. But because the government is so much stronger than its predecessors, it may also be the IMF agreement to be carried out to the letter.

"We haven't set very ambitious goals," says Mr Tulin. "But we are realistic. The present state of affairs in the economy does not allow us to be more restrictive." Displaying continuing central bank concern about areas which should be the responsibility of the government, he argues that more ambitious targets for inflation would trigger "very high unemployment".

But one veiled signal that the government may already be unable to stick to the 1994 budget and monetary growth ceilings came when the central bank earlier this month lowered its official lending rate from 200 per cent to only 185 per cent. This was well above a

140-150 per cent average interest rate calculated by the International Monetary Fund as the benchmark which the central bank agreed to shadow in the memorandum of understanding.

Explaining the caution, Mr Tulin says that "the monetary factors of inflation are under the control of the central bank except for one: the size of the budget deficit." He says the restrictive policies must also be accompanied by an industrial policy.

However, because of the government's likely failure to implement an industrial policy to minimise the damage to Russian industry, foreign investment appears to be Russia's best hope for restarting growth in its manufacturing sector.

Mr Chernomyrdin is due to meet international business leaders today to discuss obstacles facing foreign investors in Russia. Prof. Yasin says the government must take the lead in insuring foreign and domestic investors in order to get growth going.

When Mr Chernomyrdin travels to Naples to attend the G7 summit with President Yeltsin next month, he will be renewing pleas for foreign investment. He will also be pressing for early negotiations for an IMF standby credit of \$30m and a long-term rescheduling of Russia's \$20bn of foreign debt.

Although the west has been sidelined in its importance to domestic reforms since the radicals tried and failed to carry out shock therapy with western support, the good will of the western financial community remains crucial to Russia's balance of payments. The IMF has calculated that Russia, which has overestimated its trade surplus, faces a current financing gap of \$25bn in 1994, compared to

Russia has been unable to come to any arrangements over the \$26bn it owes commercial banks

\$15bn last year. Because of the way in which the foreign debt was contracted, with bunched-up maturities, an inordinately heavy burden of debt payments - \$14.5bn of principal and \$3m in interest - falls due this year. Part of that burden has already been alleviated by an agreement this month rescheduling \$7m in debt owed to the Paris Club of creditor governments in 1994.

So far, however, Russia has been unable to come to any arrangements over the \$26bn it owes commercial banks because of its refusal to accept that banks should be able to seize state-owned assets if it defaults on payments. Mr Sergei Dubinin, the acting finance minister, hopes nonetheless that Russia will be able to reschedule "all our debts on a long-term basis" this autumn.

For all the present government's shortcomings, Prof. Yasin may be right in arguing that political realities mean there is no realistic alternative to the present team in Moscow. He says that because Russia is not a dictatorship, but a democracy, albeit an imperfect one, "people find reforms difficult to put up with. They expressed themselves in the December 12 elections."

But here lies the main weakness of a government which has been better able than its radical predecessors to promote political stability in the short term. The danger, ahead of elections scheduled for 1996, is that it lacks the vision and expertise to promote the wider-ranging reforms required for longer-term stability.

## Inspired individuals needed

Some western observers ask whether it is realistic to expect Russia, with an administration which is itself desperately unformed, to carry out the sorts of structural policies which have defeated many western governments, writes Leyla Boulton.

Russian history reveals a deep-rooted tradition of state interference in the economy even before the 1917 Bolshevik revolution killed off Russian capitalism. But the doubts revolve around whether a Communist-era bureaucracy, with a Third World-level of corruption, can cater to the requirements of a modern market economy.

Mr Grigory Yavlinsky, the prominent economist and presidential hopeful, argues from his experience of conducting grass-roots reform in Nizhny-Novgorod province that the necessary policies are so simple they require little more than political will and expertise at the top.

"The problem is the mentality of a government and various lobbies which try to use money in a Soviet way," he says.

One example of a simple solution he is trying to introduce in Nizhny-Novgorod is provided by the burden on enterprises which have to pay for the maintenance of housing built for workers but no longer occupied exclusively by them.

On the grounds that subsidising individuals is much more effective than subsidising unwieldy companies, the idea is to transform the corporate housing subsidies into salary increases for workers and let them deal with the housing as they like.

Mr Yavlinsky is convinced that maintenance costs would fall to a third of their present level as residents sought to save money and rented out extra space to businesses.

The benefits would be significant for attempts to restructure the economy as a whole.

"Only after that can you seriously talk of widespread bankruptcies of enterprises because this kind of reform would finally create a proper housing market, enabling people to move around the country to look for other jobs."

But he says the scheme is being held up because the government is refusing to let companies deduct from their tax bill the amounts they have until now deducted as housing subsidies.

President Yeltsin's attempt to adopt a more pro-active approach to reform with the issue of a dozen new decrees this month included instructions for the sale of bankrupt state-owned enterprises.

**The World Bank is discussing the establishment of pilot projects**

But Mr Boris Nemtsov, the governor of Nizhny-Novgorod, finds that it is still too vague to be helpful precisely because it provides no clear instructions on how to dispose of the so-called social assets attached to these enterprises.

A related failure remains the absence of a convincing safety net capable of coping with poverty and mass unemployment. "The main issue is that social support is not targeted," says Mr Sergei Vasiliev, the radical deputy economics minister, who argues that reasonably well-off parents like himself should not, for example, qualify for child benefits.

But partly because of political hang-ups about giving up a Soviet-era promise of benefits for all, means-testing - developed with success in the Baltic republic of Latvia - is unheard of in Russia.

"The social services do not know who the poorest are," says Mr Vasiliev, who points out that it would be easy enough to use state-owned television to invite citizens who fall beneath a minimum subsistence level to apply for benefits.

Despite widespread political hand-wringing over the social consequences of reform, he adds that the fact that no single ministry has overall responsibility for social policy means that nobody can be held responsible for its absence.

The World Bank is discussing the establishment of pilot projects in three regions for improving the social safety net. But these would only take effect next year and would be of minor significance. Mr Vasiliev concludes that the government will only begin to take serious action under pressure from "an external crisis, like an explosion in unemployment."

Meanwhile, the regions are being left to their own devices, with mixed results, as illustrated by the contrast between conservative Ulyanovsk (Lenin's birth-place), and Nizhny-Novgorod, a laboratory for economic reform.

Both have social safety nets of a kind. Ulyanovsk, which continues to control prices, is maintaining a Soviet-era system. Nizhny-Novgorod has set up a minimum monthly income threshold of Rb55,000 for every man, woman, and child. This means that the family of a factory worker on a salary of Rb100,000, with an unemployed wife and two children, qualifies for an additional payment of Rb110,000.

This may not be much. But such initiatives provide ample proof that with inspired individuals in charge, Russia could deal with these pressing problems a lot more effectively than it is now.



We are ready to discuss any co-operation in the process of privatization in Russia

MIM INVEST

Chruschchovskiy str. 1/14  
119034 Moscow, Russia.

Tel: 7-095-202-3145/202-4906  
Fax: 7-095-202-3145

### Your Legal Partner In The CIS ROCHE & DUFFAY

Active since 1993 in the CIS, with representative offices in Moscow, St. Petersburg and Almaty (Kazakhstan), **ROCHE & DUFFAY** has extensive experience in the region.

With a staff composed of European and Russian Attorneys at Law, the CIS offices of **ROCHE & DUFFAY** combine the quality and expertise of a western institution with a deep knowledge of daily CIS reality.

As a client of **ROCHE & DUFFAY** you benefit from comprehensive legal services, which include:

Company law	Arbitration
Tax law	Banking and finance law
Labour and employment law	Environment regulation
Foreign investment	Real estate law

For additional details do not hesitate to contact: Alexandre GARESE  
**ROCHE & DUFFAY** Lopoukhinsky pereulok, 6 Moscow 119034 Russia  
Facsimile: (7 503) 956 3469 / (7 095) 202 0922. Telephone: (7 095) 956 3469



Exporting aluminium of semiconductive purity.  
Exporting raw mumiyo and mumiyo medicine,  
refined under unique technology.

Exporting cottonfibres.

Any proposals for co-operation will be carefully considered.

Head office: 4 Volkov bvd., Moscow Russia 123376

Tel.: (7-095) 252-1963 Tlx. 411700 CORVIS 11457  
Fax: (7-095) 252-1963 Fax: 292-6511 CORVIS 11457

Russia remains a militarised state, writes John Lloyd

## Malign legacy resurfaces

The military accounts for some 21m men and women in Russia: police and paramilitary account for another 1m. Russia remains, as the Soviet Union was, a militarised state in which the ratio of men under arms exceeds that of most others.

It is a reflection of the militarisation of a state which was geared to an aggressive - and defensive - posture vis a vis an encroaching world. It is changed greatly, but the legacy of the huge defence machine is not swept away in an instant.

This year, the third since Russia's independence, has seen that malign legacy of a communist state which regarded most others as potential enemies impose its imperatives upon the present in a particularly sharp form.

The legacy is not just one of bases all over Russia and over much of the former Soviet Union: it is also one of an industry whose best plants were geared to produce weaponry, and whose best engineers, technicians and scientists were set to work on military output and research. The former Soviet war effort, hugely weakened but basically unformed, now presents the struggling government of Russia with one of its greatest tests.

This test may be divided into three parts:

● First, to redefine the role of the Russian military in the post-cold war world;

● Second, to restructure the armed forces;

● Third, to wean industry away from a dependence on military orders towards responding to the civilian market.

The first of these has begun. Russia's military doctrine has been published - itself a huge breakthrough - and although it contains some difficult passages as the right to intervene in conflicts affecting neigh-

bouring states, it generally takes account of Russia's changed circumstances. However, it presents guidelines rather than describing what the military is actually doing: not surprisingly, for that is still evolving.

Russia, as its leaders have often said in the past three years, has no enemies: even the intercontinental missiles - Russia still has 30,000 nuclear warheads - have been symbolically dethroned from the US and other Nato countries. However, it remains doubtful about co-operation with new friends - especially

**Russia has intervened in Georgia - first on the side of the Abkhazian rebels - unofficially - and now as an officially sanctioned peacekeeping force**

with Nato, for so long the closest antagonist to the Warsaw Pact military alliance which the Soviet Union dominated.

Nato has proposed a Partnership for Peace, a loose grouping in which the former communist states would draw closer to their former antagonists; stage joint exercises but fall short of joining Nato itself. Russia seems likely to sign up in concert with most other former Soviet states, but only after long hesitation and with many reservations.

Russia regards itself still as a superpower which, in nuclear terms, it certainly is; as a regional leader, which it also is; and as a country still liable to be isolated by surrounding states. Russian military tradition has emphasised, naturally, the vulnerability of the flat open spaces of western Russia to invasion. Now, with its borders closer to Moscow than they have been for centuries, Russia feels vulnerable.

deprived of protection.

It has attempted to solve this problem by making agreements with the neighbouring states to have their borders policed by Russia as well as native border guards. It has also intervened in Georgia - first on the side of the Abkhazian rebels - unofficially - and now as an officially sanctioned peacekeeping force.

It retains an army in the Transnistria area of Moldova to protect the Russian-speaking population there. Its troops shore up the regime in Tajikistan and guard its border with Afghanistan. And they hold bases in all republics which are members of the Confederation of Independent States, except Azerbaijan - and there they are pressing for at least one, as a condition of halting the Armenian advances in that country.

The troops have, however, been withdrawn from Lithuania; agreements have been signed to withdraw from Latvia; and in Estonia, negotiations are proceeding with the target date for final withdrawal set at the end of August.

The Russian general staff broadly accepts the need for change and has backed the



General Pavel Grachev has lobbied vigorously for more resources

Partnership for Peace. However, it has had to delay joint US-Russian exercises which should have taken place in Russia this month because of nationalist pressure, especially from parliamentary deputies.

Decades of isolation and of regarding the west as an enemy have left deep marks. While co-operation continues, the limits of it have become much clearer this year.

Though an agreement signed earlier this year between Russia and Ukraine under US auspices to bring the nuclear weapons from Ukraine to Russia is being observed, consider-



The military remains a conscript force, although with a draft much reduced from Soviet times due to widespread evasion

able worries remain over stockpiles of chemical and biological weapons in Russia - stockpiles which, western analysts fear, may not be wholly accounted for by the Russian authorities. Research may even be continuing unknown to these authorities or to which they are deliberately blind.

The military remains a conscript force, although with a draft much reduced from Soviet times due to widespread evasion. Morale is said to be low in all services; budget cuts have limited exercises and the state of readiness is thought to be low. The official aim is a

professional army, but the resources to transform it are lacking. This has meant a huge oversupply of officers and generals compared to other ranks while the officers remain very often badly housed and sporadically paid.

Military industry has suffered in the past two years from very deep cuts in subsidies and orders: at the same time, military conversion has been limited. The current military budget for 1994, set at \$40,000m, would make up about one third of total budget expenditure, but is still said by the top commanders to be too

low to preserve the army in a reasonable condition.

General Pavel Grachev, the defence minister, has lobbied vigorously for more resources and the struggle is not yet over.

Politically the military remains hugely influential - especially after the October events of last year saw it intervene on the side of the president against the parliament. The need to preserve its loyalty may well dictate extra spending and will further delay necessary reforms. Its traditional loyalty and subservience to civilian leadership has not yet been broken, but the dan-

ger is greater than before.

The positive side is that it has successfully and peacefully withdrawn from eastern Europe and, in doing so, from the Balkans. Its discipline has held and it is no longer automatically favoured by the authorities - indeed, in some respects it has suffered disproportionately.

The challenge facing it over the next few years is to reshape itself into a force capable of guaranteeing national security, while regaining a spirit and an efficiency which would in turn ensure that it remained outside of politics.

### KEY FACTS

Area	17,075.4 sq km
Population	148.6 million
Head of State	President Boris Yeltsin
Currency	Rouble
Exchange rate	\$1=415 Rbs (24/12/92)
	\$1=1,247 Rbs (28/12/93)
<b>ECONOMY</b>	1992 1993
Total GDP (\$bn)	18,098 182,300
Real GDP growth (%)	-19.0 -12.0
Annual % growth in	
Retail sales	-44.8 +18.3
Retail sales	-54.4 +4.6
Industrial production	-18.0 -16.0
Fixed investment	-40.0 -16.0
Oil production	-13.6 -11.8
Gas production	-0.3 -3.6
Foodstuffs production	-21.5 -5.6
Average monthly inflation (%)	39.4 20.7
Govt. budget as % GDP	
Revenue	37.8 25.7
Expenditure	42.5 35.3
Balance	-4.7 -9.6
Govt. bond yield (%)	n.a. 8.6
Inter-bank rate (%)	11.2 17.6
Total employment (millions)	72.0 71.0
Industrial employment (millions)	21.5 20.8
Vacancies (000s)	307 352
Unemployment (000s)	982 1,085
No. companies privatised	46,815 88,000
Trade (\$bn)	
Current account balance	-1.3 11.1
Exports	42.4 43.0
Imports	37.0 27.0
Trade balance	5.4 16.0

(1) Deflated by the CPI. (2) Excludes large extra-budgetary funds off-budget interest rate subsidies, import subsidies.  
(3) Using constant (Dec 1990) prices. (4) Constant 1991 prices.  
(5) Dec. 92-93. Govt started issuing 3 month bonds in May 1993.  
Source: Russian Economic Trends, Vol 3, No. 1.  
Whurr Publishers Ltd. Tel: 071-359-5979. Fax: 071-226-5290.

How far do you have to go to get the best selection of prestigious office space in Moscow?

- conveniently located in most prestigious areas of Moscow
- suites specifically planned for professional business use
- full service residential and office environment
- international digital cellular satellite telephone system
- satellite television link
- full central heating, ventilation and air-conditioning
- 24 hour private security
- enclosed, secured underground parking

Don't miss your chance!  
Make your choice now!



For leasing information call:  
tel: (7 095) 216-69-77  
fax: (7 095) 974-70-80

## FOR SMOOTHER-RUNNING BUSINESS RELATIONSHIPS WITH RUSSIA

WHEN it comes to seizing the opportunities - and avoiding the pitfalls - of doing business in today's Russian Federation, there's only one bank to call.

Incorporated in London in 1919 (and still the only Russian-owned bank authorised by the Bank of England) we've been oiling the wheels

of trade between Britain and Russia ever since.

As a result, we can offer you unrivalled knowledge, contacts and guidance through the complexities of the market.

As well as a full range of domestic and

international banking and support services that extends from consultancy to countertrade, and from financing to foreign exchange.

Call us in London, Moscow or Singapore for further details.

And discover just how smoothly we can help you operate.



Moscow Narodny Bank Limited

81 King William Street, London EC4P 4JS. TELEPHONE: 071-623 2066. FAX: 071-263 4840.

POKROVSKIY BULVAR 4/17, SUITE 34, MOSCOW. TELEPHONE: 975 2006. FAX: 230 2386. 50 ROBINSON ROAD, MNB BUILDING, PO BOX 3883, SINGAPORE 0106. TELEPHONE: 220 9422. FAX: 225 0140.



Leyla Boulton reviews the privatisation programme

## Thrown in at the deep end

In three days' time, Russia will have completed the most ambitious privatisation programme in history. More than 11,000 state-owned enterprises, accounting for 70 per cent of Russian industry, will have been sold to the public for 148m vouchers distributed free of charge to every Russian citizen.

Under a new government programme which has yet to be approved by parliament, a second phase of privatisation due to begin after July 1 would sell remaining state-owned stakes in privatised companies for money only.

However, as Mr Anatoly Chubais, deputy prime minister responsible for privatisation, observed earlier this month: "The great battle for privatisation has clearly been won, but the battle over the assessment of its results is only just starting."

For Mr Chubais, the only radical reformer still in office two years after the launch of market reforms in Russia, the wider challenge of protecting his legacy is daunting. Assuming that he manages to stay in office, it consists of nothing less than ensuring the survival of hundreds of companies thrown into market reform at the deep end by privatisation.

"I know what to do to make things right," he said recently. "I have the levers and the team to do it. I carry responsibility for it too."

Already, however, his legacy is being attacked by conservatives such as Mr Yuri Lushkov, the mayor of Moscow, who claim it has aggravated the crisis of Russian industry, set for a 25 per cent drop in output this year. Even better-managed factories are starved of the capital they need to modernise, a restructuring and survive in a more competitive environment. Companies owe each other Rb22,000bn in unpaid debts - their own way of subsidising each other in order to avoid

the harsh realities of market economics.

Although he cannot be held responsible for the high inflation and the lack of a structural policy which are prolonging the agony of Russian industry, Mr Chubais faces a dual challenge in helping the more promising companies benefit from privatisation. One is to force bankruptcies and reorganisations at companies which are badly managed and

have failed to restructure of their own accord. The other is to encourage investment in companies with the prospects and the will to change.

The "mass" privatisation ending this month achieved a qualified success in attaining the three aims it set out to achieve. The first was political: to dramatically lessen the overwhelming role of the state in the economy, and make the shift from state planning to capitalism irreversible. Giving away vouchers entitling citizens to a share of the nation's wealth, as well as enabling workers and managers to acquire at a discount of up to 51 per cent from their workplaces, was designed to create grass roots support for market reforms in the face of opposition from parliament and old-style industrial managers.

Given the inability of a weak and old-fashioned state bureaucracy to make managers act in a more market-orientated way, the second goal was to force enterprises to change their

behaviour simply by exposing them to market forces.

But partly because of the government's reluctance to apply hard budget constraints to enterprises, many are doing nothing to adjust, paying workers to come to work while producing less and less. "They are simply waiting for something to happen", as Mr Vladimir Shcherbakov, a former Soviet minister who now heads a privatisation fund, put it.

flow of foreign investment needed by Russian companies to acquire not just new technology to replace outdated and inefficient equipment but business know-how, has perhaps proved the most successful.

Most of the leading foreign companies with a strategic reason to build an industrial presence in Russia have begun doing so only thanks to Mr Chubais's voucher auctions, not least because this has

proved easier than trying to negotiate deals with government officials. Such "strategic" investors have typically acquired minority stakes in Russian companies occupying the markets they would like to join - mostly in consumer industries such as food-processing, alcoholic beverages, clothing and tobacco. There has also been growing interest from western fund managers, attracted if nothing else by rock-bottom prices and hopes of a high return on a high-risk investment.

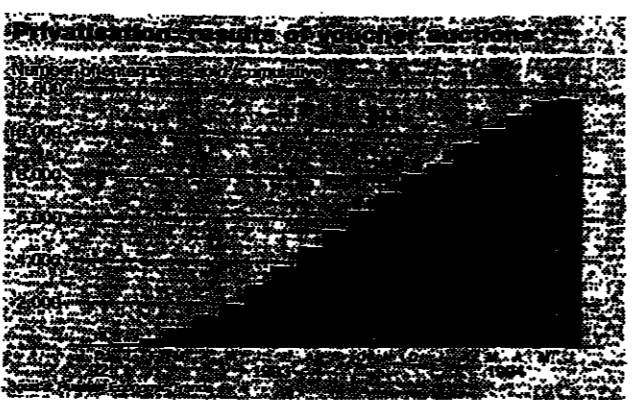
Although figures are hard to come by, Mr Chubais says that foreign equity investment totalled \$1.5bn last year and

could reach \$1bn this year.

Privatisation has itself generated the momentum for some of the further reforms which are necessary to ensure its success. The overnight appearance of millions of small investors and of thousands of private companies starved of investment has created a double imperative for the development of efficient capital markets.

This means establishing ground rules for everything from the protection of minority shareholders, to fair advertising standards, company disclosure, and self-regulating professional associations to run reasonably transparent markets.

Mr Jonathan Hay, a US adviser to the Russian privatisation ministry (whose formal title is Committee for the Management of State Property), believes that the very success of privatisation depends on the development of capital markets. "The whole assessment of privatisation will be tied to this. If companies cannot get access to capital markets, the view will be that privatisation was an awful thing to do. If they do, people will say that privatisation laid the basis for the rebirth of the Russian economy and Chubais will become a folk hero."



PROFILE: URALMASH

## Grievances shed some useful light

The advertisement outside the gates of recently-privatised Uralmash, Russia's biggest heavy engineering company, promises great hope for the future. "New Times, New Ideas, New Frontiers. Uralmash - the Guarantee of Your Success."

But the reality at the factory in President Boris Yeltsin's home town of Yekaterinburg gives less cause for cheer. Mr Viktor Korovin, Uralmash's 41-year-old director, finds adjusting the company to the new circumstances of Russia's market economy tougher than he expected when it was privatised last year.

Mr Korovin is one of a breed of younger managers who have welcomed radical market reforms. His grievances, which are not the whinnies of old-style managers who have no idea of how to cope, shed useful light on the long-term problems facing the flagships of Russian industry.

For all its reformist zeal, Uralmash is caught in a vicious squeeze - by its size, built up in the Soviet past when big was beautiful and quality irrelevant, and by a dearth of investment finance to make it more competitive for the future.

Far from warning that the company is on the verge of collapse, as many directors do when they try to squeeze subsidies from the government, Mr Korovin says Uralmash will survive - but will continue a gradual decline.

"There is no money for investment and

this means we are not looking after our future," he says. "For a good businessman, for someone who wants the company to flourish, this is a catastrophe."

Monthly inflation, which has been lowered from 30 per cent last year but is still high at 10 per cent, discourages investment while prohibitive interest rates discourage bank-borrowing. Meanwhile, many of Uralmash's potential customers are caught in a web of mutual debts, caused by the government's failure to impose financial discipline on companies for fear they will go bust. Uralmash itself owes, and is owed, some Rb13bn.

In his fight to control costs, Mr Korovin has already begun painful restructuring. The workforce has contracted from 28,000 to 19,000 - with some of the departures voluntary but others compulsory. Mr Korovin has also closed down or mothballed entire sections of the 5 sq km plant. He expects his output to fall by another 30 per cent this year - roughly in line with a 25 per cent drop forecast for industrial output as a whole but less than the 40-plus per cent fall forecast for machine-tool plants such

as his. He agrees that much of this is necessary stimulus - "We have to pay for the [Communist] system we had for 70 years". But he believes that this year's contraction in output - to a third of what the company produced in 1987 - is "the limit beyond which we cannot afford to go".

And even if it pares its own costs further, Uralmash is unlikely to be able to finance investment from its own funds. Having made a pre-tax profit of Rb13bn last year, Uralmash paid Rb5.2bn in taxes, and spent most of the rest on wages, workers' housing and working capital. To appease the workforce, which acquired half the company during privatisation, it spent another billion rubles on dividend payments which other shareholders would have preferred to plough back into the company. Very little was left for capital investment which Uralmash needs to replace inefficient, worn-out equipment.

Adding injustice to injury, it is "official" enterprises such as Uralmash rather than Russia's booming unofficial economy, which carry the brunt of taxation in Rus-

sia. In addition, many of them continue to finance a heavy burden of so-called social assets - such as housing, hospitals, and kindergartens - which elsewhere in the world are taken in charge by the state.

Mr Korovin has made an energetic start in paring these so-called "non-productive assets." But despite these efforts, Uralmash still spent Rb1.8bn out of its pre-tax profits on the upkeep of housing built for its workers but no longer exclusively occupied by them.

The best deal which Mr Korovin could squeeze out of the regional administration was a promise that it would take on 30 per cent of these costs this year, 50 per cent next year, and the whole lot in five years' time.

The changes which this former Communist youth movement leader has already pushed through have led to his growing unpopularity among a demoralised workforce which accuses him of uncaring capitalist exploitation. "He does not strive for the working class," said Sasha, a 24-year-old worker.

But as one of the few managers who did not try to block outside investors from buying into the company when it was privatised, Mr Korovin appears to be disappointed with the kind of support he has received from his own capitalist backers.

He says Mr Kakhia Bendukidze, a Moscow entrepreneur who acquired 18.5 per cent of the company when it was privatised, has not, for example, provided him with the sort of financial expertise and advice he had hoped for. A deal he engineered to supply equipment for the development of Russia's huge copper deposit at Udokan in eastern Siberia may also be at risk because the Russian entrepreneur who won the tender to develop it is having trouble raising the finance needed to build the mine.

Having sought strategic partnerships with western engineering companies, Mr Korovin has tried to get around foreign investors' reluctance to invest directly in Uralmash by setting up joint ventures with the likes of Caterpillar of the US. But these are taking time to translate into contracts for orders.

Leyla Boulton

## The answer is yes.

Yes, the CIS is a challenging market. Yes, it seems to be in a continuous state of flux. Yes, if you make the informed decisions based on expert advice, your business will succeed. Ernst & Young Corporate Finance in the CIS can assist you in identifying strategic investment opportunities. We will also help you evaluate potential partners, structure investment and joint venture agreements, perform organizational due-diligence, prepare business plans, advise on mergers and acquisitions, identify sources of capital or actually raise capital to cover your specific business needs.

Ernst & Young Corporate Finance in the CIS is ideally positioned to help you make the most of one of the world's largest changing markets. Combined with our global network and experienced pool of local talent who have been active in the CIS since 1989, we assist clients to maximize the value and minimize the risks of operating in the CIS. Here, perhaps more than anywhere else in the world today you need to work with the best.

Yes, I want to know more about investing in the CIS. For information contact Tim Williamson on 7(502) 220-4687 or 7(095) 927-0569 Ernst & Young, Podolsensky Pereulok 20/12 Moscow 103062 Russia.

In The CIS You Clearly Need The Best

**ERNST & YOUNG**

Ernst & Young in the UK is authorized by The Institute of Chartered Accountants in England and Wales to carry on investment business.

## MOSBUSINESSBANK

Strategy outline

- strengthening of Mosbusinessbank's leading role on the Russian banking market as a bank performing a wide range of international operations and as a reliable partner for Russian and foreign banks and corporations in respect of foreign operations - to excel as one of the biggest clearing centres in Russia
- improvement of foreign currency operations' quality through implementation of up-to-date risk management and control systems, assets and liabilities management, development of credit analysis profiles
- development of A-class banking technology as a fusion of advanced local achievements and proven foreign soft- and hardware - active involvement of branches in international operations.

For the 3 years since the enforcement of new Russian banking legislation more than 2 thousand commercial banks emerged. Among those banks, Mosbusinessbank acts as one of the largest market-makers in all spheres of national-level banking activities. During more than 3 years of operations on the domestic and international markets Mosbusinessbank has steadily been ranked among the top 5 Russian banks in terms of total assets and, in fact, in terms of international turnover. Foreign currency operations account for 45% of the total balance sheet and include basic international banking services, payments abroad, documentary business, foreign currency lending and guarantees, project finance, credit cards payments and settlements, foreign and money market operations, corporate and banking assets management.

Sky-rocketing inflation has boosted the aggregate

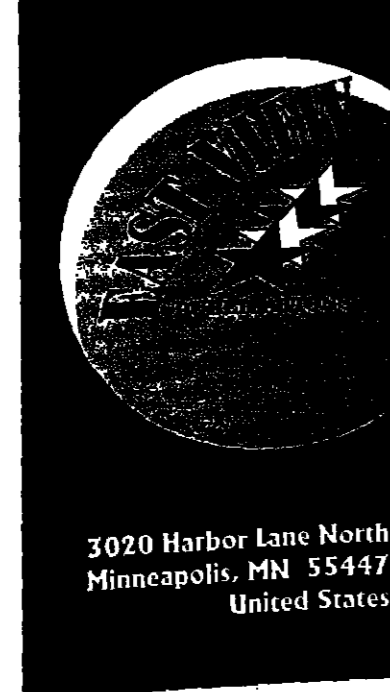
Total assets 1,973 bln Rbl. (2% of total banking assets in Russia)  
Core capital 100 bln Rbl.  
Profit 177 bln Rbl. (which accounts for 11% of overall banking profit in Russia)  
Domestic branches 40 branches in the largest cities of Russia  
Number of employees 3,200  
Number of customers 78,000

Financial indicators of Mosbusinessbank but growth quality has remained top priority for the bank's management staff. Rising ROA of 8% Mosbusinessbank keeps BIS TIER 1 at the sound level of 64%. The quality of foreign currency assets is encouraging as well - no loan loss at all. Our conservative credit policy means that MBB rejects any loan which seems inadequate to the bank's time-tested credit profile, we'd rather be cautious at the switch than dead on arrival - say the bank's credit officers. Though international money market operations account for 40% of the bank's foreign currency profit, domestic funds earn 37% and banknote dealing totalling almost \$300 mln. sales per year brings 24%. Mosbusinessbank is recognised as one of the biggest US dollar and Ruble dealers in the ex-USSR. We've reached it via consistent expansion of correspondent ties with both Central Russia and remotely located banks. 2 years ago

when just the peer group was licensed to conduct operations through foreign banks, smaller banks were prompted to open FCY accounts with the giant. While today not too many of the peers take advantage of a really developed "ostro" network, Mosbusinessbank does, and tends to remain concentrated on clearing expertise in both Ruble and FCY. We pay very special attention to the development of new banking products, at least in Russia, such as Securities Custody and trading. As we have already proved our expertise in overseas trading investments, we are now becoming a most attractive local stock house for foreign investors. Considering the good performance of MBB in 1993, which is unlikely to diminish, selecting us as a local counterpart reduces Country risks, ensures smooth settlements and increases operational safety.

Our address: 15 Kurzetsky Most, 103780 Moscow, Russia - Telex 412368 VALTSU - SWIFT: MOSB RU MM  
Contact persons: Head of Protocol - Mr. Boris Rodin - Tel: (7095) 921-8582 Fax: (7095) 230-2124  
Head of Correspondent Banking - Mrs. Lidia Davidova Tel: (7095) 921-3762 Fax: (7095) 230-2124  
Head of Corporate Customers' Service - Mr. Vladimir Mochlov Tel: (7095) 924-4430

## Information Resources from Russia/CIS



3020 Harbor Lane North  
Minneapolis, MN 55447  
United States

## East View Publications: The World's Largest Clearinghouse for Publications from Russia/CIS

- Newspapers
- Periodicals
- Document Delivery
- CD-ROM Databases
- Books
- Maps

For corporate librarians and Western businessmen, direct, rapid and cost-effective information from Russia and the CIS is more important than ever before.

Our services include supplying the following products:

- radiation & environmental maps of CIS
- mineralogical maps & studies of CIS
- CIS city telephone directories
- CIS petroleum atlases & maps
- railroad & transport maps of CIS
- petroleum statistics & reports
- public opinion surveys
- 1:100,000 scale topographic maps
- English/Russian business newspapers
- laws & legislation

Worldwide • Phone +1 (612) 550-0961 • Fax +1 (612) 559-2931  
USA • Phone 1-800-477-1005 • Fax 1-800-800-3639  
Germany • Phone 0430 81 47 07 • Fax 0430 81 79 17  
UK • Phone 0800 362368 • Fax 0800 962707  
E-mail: eastview@compuserve.com

## Truly vast expertise in Russian finance

- Trust and portfolio management services on the local market
- Privatisation intermediary services: control stake built on demand
- Brokerage
- Block sales
- Ruble and hard currencies denominated government debt dealing
- Derivatives
- Solving local legislative puzzles
- A wide range of professional advisory services, including: mediation in negotiations with local management information searching future prospects of your investment estimate Delivery prior to payment



**RINACO PLUS**

Russia-wide presence: offices and affiliates spanning from Moscow to Nakhodka

of your investment success in Russia  
and a very little bit of  $\beta$  ...

101000 Moscow  
Novaya Ploshad 3/4 entrance 4  
tel: (7-095) 262 4860  
262 4566  
fax: (7-095) 262 4566  
INTERNET: rinaco@plus.rinaco.msk.ru  
SPRINT: rinaco.plus@comnet.sovnet.ru

## RUSSIA VI

PROFILE: Prime Minister Victor Chernomyrdin

## Remarkable progress and transition

After 18 months in power, Mr Victor Chernomyrdin has succeeded in becoming the second most powerful man in the country and has remained the most elusive. The Russian premier, appointed in December 1992 when pressure from the then Congress of People's Deputies forced Mr Yegor Gaidar from his role as acting prime minister, has apparently changed greatly while appearing exactly the same.

His first year was hard. He took over a cabinet which may have been sworn of Gaidar but still had many "Gaidarites" in it, in the key economic posts, whose contacts with the western financial institutions and advisers were much better than his and whose distrust of him was manifest. These ministers still had the president's ear and were thus able at times to circumvent their ostensible boss.

Moreover, he stumbled badly on his first appearance as prime minister - calling for price controls and then being forced to back down after an outcry from his own ministers.

He was close to the powerful industrialists' lobby headed by Mr Arkady Volynsky, and as a former chairman of the gas monopoly Gazprom and an energy minister in both the Soviet and Russian governments, he knew and shared many of their concerns.

He clearly opposed many of the measures and proposals of his ministers - siding with Mr Victor Gerashchenko, the chairman of the Russian central bank, and protecting him from presidential dismissal

in favour of Mr Boris Fyodorov, then finance minister, calling the privatisation programme akin to Stalinist collectivisation; and agreeing with Mr Gerashchenko to scrap pre-1993 banknotes in a currency reform which took place while Mr Fyodorov was out of the country and without his knowledge.

It became accepted - since it was promulgated by the radicals and to a degree confirmed by the prime minister's actions - that he was at best a reluctant reformer, one whose instincts remained with Soviet industry and with at least a corporate if not a command economy. Uneasy before most audiences, he tended to reiterate the need for hard work as an antidote to the country's evils.

It was the clash between the president and the Russian Supreme Soviet, culminating in the latter's suppression by force last October, which revealed how far Mr Chernomyrdin had succeeded in creating a position for himself independent of both Mr Yeltsin and his cabinet colleagues and with its own power and influence. He remained silent for some days after Mr Yeltsin banned the Supreme Soviet in September - then came out with an expression of solid support which clearly carried



Chernomyrdin positioned himself well before the parliamentary elections last December

weight and which appeared to speak for a body of centrist opinion of the kind the radicals could not reach.

Mr Chernomyrdin it was who went with Mr Yeltsin to the Ministry of Defence in the early hours of October 4 last year, after the pro-parliamentary forces had attacked the mayoral offices and the TV centre, to argue the generals into giving

the order to their nearest troops to come to the defence of the capital - and of the executive power. Mr Yeltsin's own account - in his memoirs *The View from the Kremlin* - has Mr Chernomyrdin directly challenging the defence minister, General Pavel Grachev, to take upon himself the responsibility of ordering in the tanks.

Mr Yeltsin's appreciation of him is generous, befitting someone who has shown conspicuous loyalty to his president - "the prime minister brought a refreshing note into the atmosphere of market reforms, which in fact continued. It was an accent on reliability, permanence, stability... The political pressure on the government lifted dramatically... The hard, authoritative prime minister created a bulwark for the president's policies, a second centre of power that cemented together all the different government groupings."

With the apparently massless support of the president behind him, Mr Chernomyrdin positioned himself well before the parliamentary elections last December. In contrast to many of his ministers - including Yegor Gaidar, by that time returned to the cabinet as his first deputy - he was not seeking office: instead he

received the endorsements of a number of his cabinet members to continue as premier whenever won.

When the result turned out to be a swing to the right and left extremes, with no one group in the ascendancy, Mr Chernomyrdin benefited hugely. The radicals, after a brief struggle, left the cabinet - with the sole exception of Mr Anatoly Chubais, the privatisation minister. Mr Chernomyrdin, with his own choice as first deputy in Mr Oleg Soskovets, a similarly taciturn workaholic, had for the first time his own government.

It was widely assumed he would bring in a different programme: after all, he had commented immediately following the election that there must be "an end to market romanticism." But what followed that remark was an extraordinary turnaround: to date, Mr Chernomyrdin has not only refrained from diluting the radicals' programme, he has actually advanced it - retaining a tight squeeze on credit, keeping down inflation, forcing the central bank to impose more discipline and keep real interest rates high, approving (in Russian conditions) a very tight budget with low expenditure on the military and pro-

tecting the remaining reformers in the government.

This "new" Mr Chernomyrdin - his supporters would say it was always there - took some time to be obvious, but impressed when it did. It was enough to convince Mr Michel Camdessus, the managing director of the International Monetary Fund, to go to Moscow in March and after talks - and a hunting expedition - with the prime minister, to extend to his government a \$1.5bn loan.

In an article written for the Financial Times last month, Mr Chernomyrdin revealed himself not just as a man determined to carry on reforms, but as one who took pleasure from the commercialisation of the cities, privatisation of businesses, and the signs of enterprise among his fellow citizens. If he is still presenting a false reformist image, he is doing it very well, and keeping it up for a long time.

He has clearly conceived a taste for the power he could not have expected would be his: and he may join the other combatants for the president's chair when it becomes vacant in two years time at the end of Mr Yeltsin's term. He does not enjoy high popularity ratings - he is too much associated with hard economic times - but he may be able to succeed to the rather tattered mantle of Yeltsin and pose as a centrist able to unite the nation. It has been a remarkable progress and a remarkable transition - and Mr Chernomyrdin appears to have a way to run yet.

John Lloyd

Recent agricultural reforms are full of promise, writes Leyla Boulton

## Opportunity for the peasants

For the first time after seven decades of gross mismanagement by Communists who put Russian agriculture on its knees, Russian peasants are finally being given the chance to put things right themselves.

A new reform programme introduced in the Nizhny-Novgorod province and decreed a blueprint for the whole of Russia, is based on the premise of Mr Boris Nemtsov, the local governor, that "the Russian people are a lot cleverer than the country's leadership gives them credit for."

A clear system for collective and state farms to reorganise into more efficient private units is so simple and so promising that it prompts questions as to why Russia's rulers have come up with it only now, and only after the intervention of foreigners. But although he has been accused of bowing to

foreign "imperialism", Mr Nemtsov has nothing but praise for the International Finance Corporation, the World Bank's private investment arm, which developed the plan together with Russian agricultural experts.

"The foreigners did what Russians couldn't do. They carried an idea through to its logical conclusion," says this energetic 34-year-old chief of a province often described as a laboratory for economic reform. "In Russia, we have lots of ideas but little capacity to see them through."

Another reason for the failure of previous attempts at reform has been a fierce ideological debate over private land ownership. Since the collapse of Communism, agriculture has been held hostage to battles between radicals seeking to break up state and collective farms, and conserva-

tives who oppose private property and call for more subsidies.

Farm subsidies pushed through by the country's powerful agrarian lobby consume up to 10 per cent of national budget expenditure. Although agriculture has recorded a much milder drop in output than industry - and Russia has even begun cutting back grain imports - prices remain high, quality poor, and distribution uneven.

Farmers are unable to use their land as collateral for bank loans to develop. A poorly-developed trade infrastructure and a backward, over-

monopolised food-processing industry mean waste, high costs, and a raw deal for Russian consumers. Even when peasants manage to bypass middlemen and take their produce directly to town, they usually have to pay protection money to racketeers.

A middle course followed by Mr Boris Yeltsin since his election as president three years ago sought to encourage the development of a new class of private farmers without forcing the break-up of collective and state farms. This meant that some city dwellers and peasants were able to obtain land from state reserves and existing collective and state farms.

With generous injections of cheap credit, up to 300,000 private farms appeared around the Russian countryside. But old state and collective farms, ordered to "reorganise" without instructions on how this should be done, remained basically unchanged: costly to maintain and no more efficient than before.

President Yeltsin, having dissolved the conservative parliament last autumn, sought to adopt a more active land reform policy and issued a decree overturning a five to 10-year moratorium on the resale of land imposed by the old parliament. In a December referendum - the results of which have since been queried but not reversed - he pushed through a new constitution laying down private property as an inalienable right.

At the same time, however, prospects for further reform appeared to receive a setback when December elections also returned a parliament dominated by ultra-nationalists, and

neo-Communists. A newly-reformed government, shorn of radicals, promptly announced protectionist import tariffs, new subsidies for agriculture, and old-style output targets specifying, for example, that Russia should produce 35bn eggs this year.

But the government's lack of a coherent strategy for agricultural reform had Prime Minister Victor Chernomyrdin embracing the Nizhny-Nov-

gorod project as a model for the whole of Russia last March.

The government has since drawn up instructions spelling out how local authorities in other provinces can reproduce the scheme. Moscow also says it is about to submit to parliament a land code, setting out the ground rules for a land market.

Relying on the greed of peasants rather than compulsion from on high, the Nizhny-Novgorod scheme is strictly voluntary. The scheme, bowing to peasants' suspicions of outsiders, for the time being restricts the distribution, and subsequent re-sale, of agricultural land to local farmers.

These two elements make the programme much more difficult to challenge politically. The programme also differs crucially from Russia's initial system of encouraging individual farmers because it does not rely on the good will of local bureaucrats or collective farm chiefs. Once a farm has opted to reorganise, each worker gets a property entitlement certifi-

cate whose value is calculated according to an individual's length of service. Before equipment, stocks and land are auctioned off, farmers wishing to work together in a private enterprise have an opportunity to pool their entitlements together and bid jointly for selected tractors and land.

This means that rather than systematically breaking up farms into inefficiently small individual units - as was done in Lithuania, for example - the scheme allows farmers themselves to decide what size farms are likely to be most effective.

The first results of the reorganisation of six collective and state farms under the Nizhny-Novgorod pilot project are being closely studied by other regions.

"We don't know what the result will be but we chose this path and we are trying it," says Mrs Yekaterina Makarcheva, 39, the energetic chief of Moshkinskoye, one of eight private farms spawned by the reorganisation of the Sixty Years of October collective farm. "It is better to try rather than wait for a gift from on high because I'm sure nobody will give us anything."

She says the first results are encouraging. If the 300-member farm she heads proves unwieldy, she is confident that farmers like herself will survive by setting up smaller businesses. Another offshoot of the programme has been the encouragement of enterprises devoted to the servicing of the farms themselves.

Mr Sergei Klementiev not only farms land he won at one of the auctions with his land-entitlement certificate, but has set up his village's first cafe, and takes produce to town for other farmers such as Mrs Makarcheva. Another local entrepreneur provides Mrs Makarcheva with fuel at half the price charged by the local state fuel monopoly.

Clearly, not all the new businesses will succeed. Mrs Lin-

bov Bubnova appears weighed down by her new responsibilities as head of the neighbouring Rostok farm. Of all the problems facing new farms, Mrs Bubnova suggested that motivation was the most serious. "They need to be a little bit more ambitious," observed Mr Christopher Shupe, a Michigan agricultural student working on Mrs Bubnova's farm to research the results of the reorganisation.

But Mrs Bubnova said that it was difficult to get people to work harder on her 35-member farm when pay was "low" - even though the local monthly wage of Rbl150,000 is not too bad for Russian standards - and often late. The reason the money was late was because many of her clients did not pay for deliveries.

In Nizhny-Novgorod, the scheme is being accompanied by Rblshn this year in subsidised loans for squabbling politicians do not interfere with progress on the ground, the reform gives Russia's long-suffering peasants a unique chance to prove that they are capable of seizing the initiative with both hands.

also led to the creation of 123 new dairies and meat-processing businesses in the Nizhny-Novgorod region last year. The British government, which is financing the IFG's work, is also helping to establish local advice centres for farmers.

While the Nizhny-Novgorod project displays an impressive alliance of Russian political will, and western technical assistance, it is clear that much painstaking work remains to be done to deliver similar results on a massive scale.

Mr Nemtsov reckons it will take at least 10 years to reproduce the plan across the province and Russia as a whole. Dr Vassily Uzun, the Russian agricultural expert who is considered the main inspiration for the scheme, says he will be glad if it takes only 20 years.

Providing Russia's squabbling politicians do not interfere with progress on the ground, the reform gives Russia's long-suffering peasants a unique chance to prove that they are capable of seizing the initiative with both hands.

INSPECTION SERVICES INTERNATIONAL  
ИНСПЕКЦИОН СЕРВИС ИНТЕРНЕШНИ

Service is our commitment  
Обслуживание - наша обязанность

YOUR INSPECTION  
COMPANY  
FOR THE CIS AND BALTICS

ВАША ИНСПЕКТОРСКАЯ  
КОМПАНИЯ  
В СТРАНАХ СНГ И БАЛТИИ

ISI is the first independent international inspection company to act freely and efficiently in the FSU.

ИСИ первая независимая международная инспекторская компания, способная и эффективно действующая в странах бывшего Советского Союза.

ISI now has TWENTY THREE permanent teams operating bases in the CIS and BALTIC STATES.

ИСИ на настоящий момент ДВАДЦАТЬ ТРИ постоянно действующих ОФИСА в странах СНГ и Балтии.

ISI offers a full range of services to the shipping and trading world - draft surveying, cargo control, weighing, sampling, general surveying and logistics. All services are backed up by first-class administration and communication.

ИСИ предлагает торговому и судоходному миру широкий спектр услуг: освидетельствование груза, инспекция груза и судна, документация, взвешивание, выбор проб, таможенный контроль, логистика. Все услуги обеспечиваются надежной административной и коммуникационной поддержкой.

ISI

YOUR RIGHT HAND IN  
BUSINESS

ИСИ

ВАША ПРАВАЯ РУКА  
В БИЗНЕСЕ

FOR MORE DETAILS PLEASE CONTACT  
MR. BIVAL AT HEAD OFFICE AT:

БОЛЕЕ ПОДРОБНУЮ ИНФОРМАЦИЮ  
ВЫ МОЖЕТЕ ПОЛУЧИТЬ ПО АДРЕСУ:

Belvederegasse 2/3 A-1040  
VIENNA - AUSTRIA

МОСКОВСКИЙ ОФИС  
ИСИ/МОСКВА  
Первая Тверская-Ямская ул. 13/86

Tel: (43-1) 505 3060  
Fax: (43-1) 505 3070  
Tlx: 113 268 ISI A

Tel: (095) 251 8033  
Tel: (502) 224 1335 (супутник)  
Fax: (095) 250 3772  
Telex: 413063 ISIMO SU

## Ponoi - The Greatest Atlantic Salmon River In Modern Times

The Ponoi on Russia's Kola Peninsula continues to prove itself as the most reliable Atlantic Salmon river in the world today. Whatever the conditions, Ponoi consistently produces an astonishing number of fish in its 4th year of operation, the Ponoi River has established an unsurpassed reputation for safety, quality, and professionalism in a remote and logistically complex part of the world.



The Ponoi Experience encompasses the best of Russia: plentiful fish of all sizes, outstanding surface fishing with bombers, excellent western-standard camp facilities, delicious meals, and an international guide pool, complemented by efficient and convenient travel arrangements.

The Ponoi is the only:  
• River held on a 10-year lease  
• Operation avoiding hassles and delays in Russian cities by flying guests on reliable Finnair from Helsinki to Murmansk  
• Camp with our staff doctor and clinic  
• River to be designated as a "test river" for Atlantic Salmon research in a joint West-corn/Russian scientific study  
• Russian operation with 70% repeat profile

Just nine rods are left for 1994 - or register your request for 1995. Call for details on the Ponoi and other worldwide fishing destinations.

Member of ATOL

European Office: 15 Albemarle Street, London W1X 3HA • Phone 44 071 493 0796 • Fax 44 071 491 9177  
Home Office: P.O. Box 909, Westford, MA 01086-0909 U.S.A. • Phone 412 935-1577 • Fax 412 935-5338



CABLE & WIRELESS  
EUROPE

Through Co-operation,  
Communication

Cable & Wireless is currently involved in a number of joint ventures in Russia and is committed to improving the telecommunications services to enable both the local and international, business and residential communities to communicate more effectively. Co-operation with local partners, both in business and government is key to the success of our operations.



Nakhodka Telecom

Sakhalin Telecom

If you would like further information on our activities in Russia, the CIS, eastern Europe and the Baltics, please call us on: +44 71 315 4367

MAKE SURE YOU  
UNDERSTAND THE CHANGES  
AND OPPORTUNITIES IN  
EASTERN EUROPE

Read the following publications from the Financial Times.

East European Markets  
Finance East Europe  
East European Business Law  
East European Insurance Report  
East European Energy Report

For a Free sample copy

Please contact: Clare Borrett, Dept. C,  
Financial Times Newsletters,  
One Southwark Bridge, London SE1 9HL  
Tel: (+44 71) 873 3000 Fax: (+44 71) 873 3935

The information provided will be held by us and may be used by other related quality companies for marketing purposes.

FINANCIAL TIMES

NEWSLETTERS  
P.O. Box 100, London EC4A 3DF, UK. Tel: 071 873 3000  
English Newsletter no. 100796, V17 Registration no. 017 729 221

THE BIGGEST FERROUS AND NON-FERROUS METAL GOODS PRODUCER IN RUSSIA  
JOINT-STOCK COMPANY POLEMA

offer	for
- a great number of steel, alloys, hard and superhard material, ferro-alloys' powders	detail strengthening, protecting, corrosion resistance by gas-thermal, plasma spraying or surfacing methods
- steel, bronze, brass, titanium, chromium powders	autos, tractors, electrical equipment
- sliding bearings, surfacing valve rings, compensators, bushes and brass profile	details production; autos, pumps, machines and apparatus;
- nickel, zinc, copper anodes of high purity in accordance with order's dimensions	galvanic coating;
- electric contacts, moli and tungsten rolling, solders, permanent magnets, supermagnet powders	electronics and electrotechnics;
- synthetic diamonds, high-speed steel, grinding rings	tools;
- chromium, nickel electrodes of 99.9%	sputtering of thin films in vacuum with cathode spraying of metals;
- electrolytic refined chromium of 00.05%	superalloys
- refined iron 99.95%	
- titanic stainless steel filters; apparatus	water, juice, drinking water cleaning;
- nickel-Raney, nickel-strategic metals powders, cataliser for diamond synthesis	heterogenous catalysis, small nitrogen accumulator, synthetic diamonds' production

Russia, 300017 Tula, Novotul'skaya L. POLEMA Corp.  
Phone: (0872) 43 21 76 Fax: (0872) 41 52 87; 44 21 91  
Telex: 255 127 IRON SU

## RUSSIA VII

John Lloyd sees a change in foreign policies

## Confrontation is a possibility

Earlier this month, Mr. Andrei Koryev, the Russian foreign minister, warned the US Congress against insisting on the implementation of its vote to arm Bosnian Muslim forces. This would be, he said, a harbinger of a new great power confrontation - when Russia and the US would again arm their allies in a proxy war. He obviously had in mind, but did not explicitly mention, the Serbs as Russia's proxy.

This was not the Mr. Koryev who became foreign minister in 1991 and who has stuck - despite constant rumours of forced resignation - to his post ever since. But the country's mood towards foreigners has changed greatly and Mr. Koryev with it is the reason for his survival.

The swing to the nationalist right and left in the elections of last December is usually held responsible for this, but

Only Estonia among the three Baltic states still has no agreement and the negotiations remain tense and mutually abrasive.

that is only true in part. Some time before, the country's politicians had begun to make quite sharp corrections to a pro-western foreign policy which even western diplomats thought excessive. Russia had rediscovered its "interests" and it is still doing so.

As now expressed, these interests include:

● A concentration on the "near abroad", the Russian designation for the 14 other former Soviet states, most of which have a common border with Russia and all of which are still strongly tied to it by economic, political and security ties.

The news here, for Russia, the former Soviet state and for the "far abroad" is not all bad - although some of it is.

The good news is that Russian troops are withdrawing or have withdrawn from Lithuania and Latvia: only Estonia among the three Baltic states still has no agreement (and the negotiations remain tense and mutually abrasive) - but both Estonian and Russian officials still say they expect one.

Further, the states which make up the Commonwealth of Independent States, which include all former Soviet countries except the Baltics, are now prepared to work together more closely than in the first two years of that organisation's life. They lack properly functioning bureaucracies to implement the network of agreements they have signed between themselves - but they are now making efforts to moderate the burst of destructive protectionism in which they indulged immediately after the collapse of the Soviet Union.

The bad news is that the CIS is not a common market, has no properly working interstate economic mechanism or banking agreement and most of the non-Russian states are extremely dependent on Russia - to the point of being vulnerable to, and suffering from, Russian pressure. For this reason, there remains, and will remain, great

ambiguity about Russian military and security activities there always interpreted by Russia as necessary measures to keep the peace and preserve or bring back stability, but interpreted by some at least in the west, and on occasion by the other former Soviet states, as more or less dangerous manoeuvring to further Russian power.

In the past year, the west has drawn a rough line under the Baltic states, saying that these at least should not be

Russia is likely to be accepted as a "political" member of the Group of Seven advanced industrial countries in Naples next month.

touched and must be cleared of Russian troops for the rest, it averts its gaze.

● An effort to strike a relationship with the US and with Nato which confirms Russia's "great power" status - even as that status is more and more under question in any but the field of nuclear weapons.

This is proving hard: although the Russians probably will sign up to the Partnership for Peace - the Nato-inspired plan to bring the former communist countries into association with it while withholding full membership from the central European states which

wish it - they do so with some reluctance. This is accompanied by demands for a special status to be recognised and codified and with a constant commentary that Nato should be subsumed into a larger organisation such as the Conference for Security and Co-operation in Europe - a trend which could serve as a warning for the future.

Russia is also likely to be accepted as a "political" member of the Group of Seven advanced industrial countries in Naples next month. It will be a further mark of acceptance by the international community that reforms continue or are at least deemed to continue - the other this year was the granting of a \$1.5bn loan by the International Monetary Fund, but it comes when Russia is proving a prickly and difficult partner and when much comment in the west points to the impossibility of a real "partnership" with a country whose interests are seen by itself as being so different from those of most western states.

Russia wishes to be both of Europe and out of it: although western Europe, and in particular Germany, remains the second most important focus of its diplomacy after the CIS, it cannot forget its Eurasian nature and cannot take its place as simply a bigger, more eastern, European state.



diplomacy after the CIS, it cannot forget its Eurasian nature and cannot take its place as simply a bigger, more eastern, European state.

● Its relations with the countries to its east and south have generally improved. China - now its largest trading partner - presents no quarrels for the first time for many years and seems as interested as Russia in preserving good neighbourly relations. Visits by Mr. Yeltsin and Mr. Victor Chernomyrdin, the prime minister, confirmed the importance of the relationship.

India is no longer as close as

it was when it sought to use the Soviet Union to balance western influence on it - but there is no tension. Of the leading states to the east, only with Japan does suspicion and a certain animus remain, expressed over the Kurile Islands or Northern Territories taken by the Soviet Union at the end of the last war, and whose return Japan demands before it puts its diplomatic relationship with Russia on a normal footing.

For the rest of the world, Russia has largely withdrawn. The former Soviet satellites find little interest and no sup-

port from a state now forced to weigh expenditure much more carefully than in the past, and with no ideological profit to be gained from buying their alliance.

Before this year, this withdrawal was accompanied by a commensurate absence from many of the theatres of the world where the most important states, above all the US, were playing a mediatory or controlling role. In the past year, however, Russian diplomacy has again become more active - insisting on being taken into account in the former Yugoslavia, in the Middle

East and in the present crisis in North Korea.

In each case it has proposed distinctive approaches and though often posing a challenge has so far been accommodated without major ructions. Mr. Koryev's challenge over Bosnia, however, raises the question of how long this will continue to be so.

Russia has, in this past year, shown it will advance its interests. It has not so far pushed these to direct confrontation with those of other leading countries with whom it has a new-found friendship. But the possibility now exists.

Leyla Boulton on developments in the gold-mining sector

## Better investment climate

The lure of Russian gold is finally paying off with a start to foreign investment in one of the country's most closely-guarded industries.

Over the past month, two unprecedented gold-mining deals have cleared final hurdles to more than a third of a billion dollars' worth of investment. The Russian gold mining industry, previously a state-owned monopoly, found itself starved of capital following the collapse of the Soviet-era command economy. As a

result, gold output in a country which is the world's second-largest producer, has been steadily falling. This in turn has forced Russia, despite its deep-rooted fears of "selling off the family silver", to look abroad for finance for bigger projects requiring sophis-

ticated technology and vast amounts of capital.

Dozens of Russian companies have already won contracts to develop smaller deposits concentrated mainly in Siberia. But the two foreign deals, for bigger and more difficult deposits, are the first of

their kind following the successful conclusion of more than two years of negotiations. After altering its initial plan to meet objections from Russian authorities, Star Mining, a small Australian exploration company, has all but finalised a deal to develop Sukhoi Log

(Dry Gulch), Russia's largest hard-rock gold deposit. It has promised to invest \$250m in Lenzoloto, the local Siberian producer in which it holds 51 per cent, up from an initial proposal to invest \$150m. The aim of the project is to raise Lenzoloto's annual production to 2m ounces in six years, about three-quarters of which would come from Sukhoi Log.

Earlier this month, the Overseas Private Investment Corporation (Opic) of the US and the European Bank for Reconstruction and Development finally approved \$110m in loans and investment guarantees for the development of the

The project soon ran into trouble with Russian authorities

Kubaka deposit in Russia's Far East. The tender for the project was won last June by a joint venture between Cyprus Amax Minerals of the US and five regional mining companies.

But, responding to companies' nervousness about investing in Russia, Opic will provide investment guarantees of \$50m plus \$150m insurance cover against expropriation and political violence. The EBRD will lend the project a further \$55m. The aim is to produce 326,000 ounces of gold and 255,000 ounces of silver a year.

The contrasting histories of the two deals speak volumes about the gradual improvement of Russia's investment climate since the launch of market reforms in 1992.

While big companies remained on the sidelines, Star - invited by Mr Boris Yeltsin, the Russian leader, to scout for mining opportunities in Russia before it even became an independent state with the collapse of the Soviet Union - directly negotiated a joint venture with Lenzoloto, a local Siberian producer. But the project soon ran into trou-

ble with Russian authorities who argued that the deal did not meet the requirements of either the nation's interests or its fast-changing legislation. A main objection was that the deposit should have been put to tender, while Star and Lenzoloto argued that they had concluded their deal before new legislation was passed requiring all new deposits to be put to tender.

Counting in later than Star, Cyprus Amax Minerals faced a much smoother ride because ground rules making tenders compulsory were already established. Mr Adrian Ball, Moscow representative for Morgan Grenfell, the investment bank which acted as adviser to the western parties, says the deal also received powerful support from local authorities of Magadan province, which stands to receive rich tax returns from the deal. Mr Ball points out that taxation is so high, however, that the deal is only just about profitable.

Mr Boris Yatskevich, deputy chairman of the state committee which is responsible for issuing mining licences, agrees that taxation remains far too high by international standards.

But having led objections to the Star deal, he said he had agreed to drop his legal quibbles after Star improved their terms. "Today Lenzoloto, with 7,500 employees, is on the edge of bankruptcy. It is not possible to torture them any further."

The Russian government also stepped in to ease objections from local authorities in the eastern Siberian province of Irkutsk by giving them 10 per cent of the equity in the project. It is now up to the Irkutsk administration to finally endorse the deal.

There are good reasons why you may like to work with ENERGO-MACHEXPORT

We have supplied and installed on a turn-key basis equipment for 99 thermal and hydropower stations world-wide.

Our diesels and diesel generating sets are used all over the world.

We will provide you with any equipment you need for constructing power stations be it a complete power plant or a part of it.

The reliability of the robust Russian equipment will guarantee you satisfaction.

OUR EXPERIENCE WILL WORK FOR YOU

AO Energomachexport  
25A, Protopopovskiy per., 129010 Moscow Russia  
Tel: (095) 288 84 56 Fax: (095) 288 79 90 Tlx: 411965



**BEST IN THE BUSINESS!**  
We know how to move your cargo better than anyone else!  
Air • Ocean • Truck • Rail

We'll give you the best service with the best rates to and from Russia & CIS to Europe, USA, Far East, South & Central America.

Our Specialties - Tankers, Electronic Goods, Heavy Machinery, Wearing Apparel.

European Headquarters: SPEED / AEROSPACE / PHONE: 31206 481 220 FAX: 31206 480 548

USA Headquarters: AEROSPACE / SPEED / WATS: 800-913-7121 PHONE: 212-512-0000 FAX: 212-512-1072

**COINS**

COTECNA INSPECTION S.A.

Cotecna Inspection S.A., having established an office in Moscow, is pleased to offer their inspection services to international exporters and importers trading with the Russian Federation.

Services include independent pre-shipment inspection, product testing, laboratory analysis, tariff code and duty rate verification and customs assistance, conducted by our worldwide team of qualified professionals.

Details of these and other inspection services can be obtained from:

UK Operating Unit  
Cotecna Inspection Ltd.  
Hounslow House  
730 London Road  
Hounslow, Middlesex  
TW3 1PD, UK

Tel: (081) 577 3911  
Fax: (081) 570 8128  
Tlx: 914013 coins g

Head Office  
Cotecna Inspection S.A.  
58 rue de la Terrasse  
P.O. Box 6155  
CH - 1211 GENEVA 6  
Switzerland

Tel: (022) 735 83 68  
Fax: (022) 786 39 20

Russian Operating Unit  
Cotecna Inspection S.A. (Russia)  
Krasnopresnenskaya Nab., 12  
World Trade Center  
Mezhdunarodnaya-2  
7th floor, Apt. 726  
123610 Moscow, Russia

Tel: (7502) 253 27 26  
(7095) 253 37 26  
Fax: (7502) 253 01 69

The Cotecna Group

**TRANSPORTATION** **STORAGE** **DECLARATION** **COMMERCE**

**ALL KINDS OF TRANSPORTATION**

**AIR** **RAILROAD** **ROAD** **SEA**

**EVERYTHING IN OUR HANDS**

ONE OF THE LEADING EXPORTATION AND TRANSPORT COMPANIES IN RUSSIA  
(Member of The Association of American Companies Abroad)

The reliability of our services is well known to our permanent partners - world-wide companies such as Adidas, Samsung, Kodak, Waltham, Minolta, Starline and many others.

DO NOT HESITATE TO APPLY TO US WE ARE AT YOUR SERVICE AT ANY TIME

**"SOVIET" RUSSIAN-AMERICAN JOINT VENTURES**

4-1 International House  
Moscow 125010, Russia  
Tel: (095) 253 2253  
FAX: (095) 253 2253

**Moscow Aviation International**

**MOSCOW AVIATION INTERNATIONAL**  
**AIRCRAFT CHARTER, SALES & MANAGEMENT**

THE LEADING EXPERTS IN WHOLE-PLANE CHARTER, PROVIDING SERVICES TO THE MOST IMPORTANT AND DEMANDING WORLD CORPORATIONS AND INSTITUTIONS OPERATING THROUGHOUT RUSSIA AND THE CIS.

WE PLACE AT YOUR DISPOSAL OUR UNIQUE ACCESS TO THE BEST OF RUSSIAN & WESTERN PASSENGER AND CARGO AIRCRAFT.

OUR BRITISH AND RUSSIAN STAFF COMBINE IN-DEPTH KNOWLEDGE OF THE COMPLEXITIES OF AIR TRAVEL WITHIN RUSSIA AND THE CIS, WITH WESTERN SERVICE AND OPERATIONAL STANDARDS.

**CALL US TODAY**

**MOSCOW**  
MEZHODUNARODNAYA-2 SUITE 722  
12, KRASNOPRESNENSKAYA NAB.  
MOSCOW 123610, RUSSIA  
TEL: (095) 253 2253  
SATELLITE FAX: (7095) 253 2722  
SATELLITE TEL: (7502) 253 0178

**LONDON**  
50 SULLIVAN ROAD  
LONDON SW6 3DX  
UNITED KINGDOM  
TELEPHONE 071-731 8955  
FACSIMILE 071-731 8956

**MOSCOW AVIATION INTERNATIONAL'S EXPERTS ALSO PROVIDE RELATED SERVICES INCLUDING FULL TECHNICAL AND OPERATIONAL AUDITS, INSURANCE AND BROADLY BASED AVIATION CONSULTANCY SERVICES.**

**TOPAZ RESEARCH AND INDUSTRIAL COMPANY**

TOPAZ research and industrial company was established in Moscow in 1992. The company works with orders of designs and manufactures of flight data analysis systems for air forces, civil and commercial aviation. Before the Soviet Union's disintegration this industry was concentrated in Ukraine and partly in Armenia and Belorussia. Now Topaz works on flight data systems with a team of professionals. Some people of the team came from Mikoyan, Sukhoi and Ilyushin design bureaux.

The main direction of Topaz activity is concentrated on flights' safety:

- design and production of flight data processing systems;
- design and production of flight data analysis classrooms for training of pilots as well as technical staff;
- design of on-board registration, processing and analysis systems. These devices display recommendations to the crew and release data by radio to ground flying control group;
- design of emergency and service flight data reporting systems;
- design of information systems;
- assembly of high quality personal computers.

Russia, Moscow 127521, ul. Otkryabskaya 72, Tel: (095) 2198779, Fax: (7-095) 289 4390

Topaz designs and produces solid body flight data recorders with remote data transmission. These devices reduce aircraft non-operation time because recorders stay on the aircraft. Also as magnetic tape is excluded in the control process the validity of data is increased. And the data processing system does not require high-cost playback units for magnetic tape.

Topaz company produces several flight service systems. One of them is the *Topaz-M* system that now received 10 different modifications. The system processes flight data in automatic mode and generates flight information. Express-analysis of the flight including on-board systems' information, pilot and technical restrictions, is outputted onto a monitor and printer. Results are also available in graphic, tabular and flight profile format. Dynamic 3-D construction of the aircraft image can be shown on the monitor. *Topaz-M* allows to view flight by cockpit instruments and processes data of any set of chosen parameters. *Topaz-M* system is based on PC/AT-386 (487) computer.

Design aviation Topaz company has begun to use its research in production of medical equipment, cement and metallurgy industries.

**The Firm "VALENTIN"**

is seeking a food producer wishing to market his commodity in all regions of Russia on the basis of mutual co-operation. Consultation given on the Russian food-stuff market.

Tel: (7095) 183 1222  
Fax: (7095) 182 0638

Address:  
2, ul Prokhotchikov  
129847 Moscow-RUSSIA

## RUSSIA VIII

## LAW AND ORDER

# Fresh Rbs3,000bn attack on crime

Two bomb attacks on businessmen in Moscow on the same day this month provided a brutal impulse for Russian President Boris Yeltsin to declare all-out war on organised crime.

In broad daylight, right outside Pavelitsky railway station, the driver of the chief of Logovaz, a big car-dealing company, had his head blown off although his boss, Mr Boris Berezovsky, escaped unscathed. The other intended victim, the manager of a smaller company, was less fortunate: a car-bomb earlier in the day cost him his leg.

A few days later, on June 10, President Yeltsin announced he had ordered the security services to "cleanse Russia of criminal filth". The interior minister, prosecutor-general, and head of the domestic intelligence service promptly unveiled a new Rbs3,000bn programme to fight crime. Mr Yeltsin said they would be held personally responsible for its success in beating back criminal forces who were trying to "seize control of the economy and push their way into politics".

He followed this up in mid-June with a presidential decree giving security forces unprecedented powers to fight organised crime, including the right to detain suspects without charge for 30 days and the right to search the premises and bank accounts of any company suspected of illegal dealings.

The measures were promptly denounced as unconstitutional by parliament and the liberal media, which warned of a possible return to the Soviet repressive past. Given an overwhelming public longing for law and order, a successful crackdown could prove the greatest vote-spinner for a government unlikely to deliver

quick results on economic reform. But criminals' close links to corrupt police and officials provide the strongest reason to doubt the likelihood of a successful campaign against Russia's so-called "mafia".

The word "mafia" is widely used in Russia to mean anything from organised crime to extortion by officials seeking bribes. The crime problem is unique because of its intimate connections to an inherently corrupt economy and bureaucracy inherited from the Communist era.

Mr Grigory Yavlinsky, a renowned Russian economist and presidential hopeful, argues that the old state-run Soviet economy was designed for lawlessness.

He says its vestiges - such as a reliance on personal patronage, excessive discretionary powers for bureaucrats, and a very high degree of monopoly in the economy - need to be dismantled if there is any chance of making inroads against crime and racketeering.

How dangerous is Russia today? In terms of statistics for ordinary crime, a big city such as St Petersburg is no more dangerous than the more crime-ridden cities of Europe, and is safer than New York or Washington.

Major-General Arkady Kramariev, the St Petersburg police chief, says that the higher levels of crime in Russia's second city - 845 murders last year compared to 150 a decade ago - correspond more closely to a free market economy than previous low levels

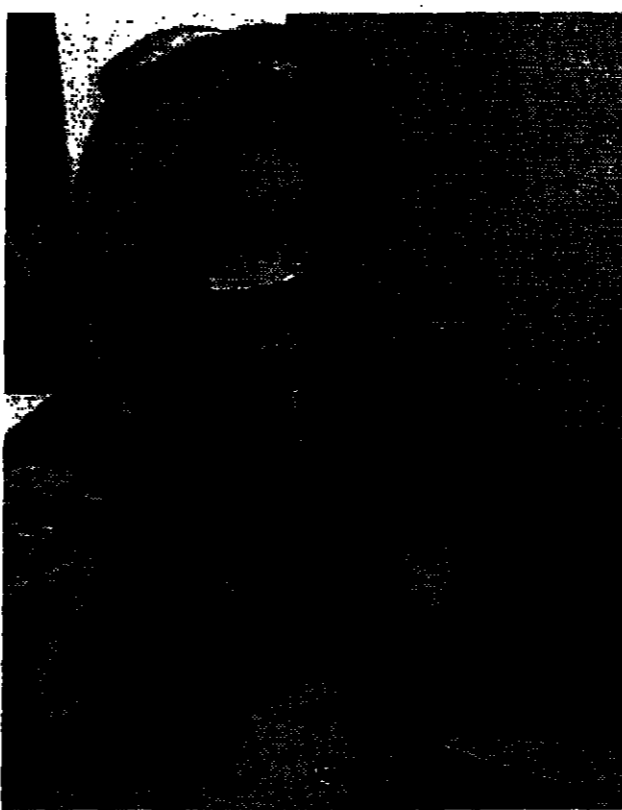
prevailing under the old police state. The difference between Russia and the west is that police who are underpaid, uninsured and demoralised are unlikely to do much to solve crimes.

Much of the violence can be blamed on an antiquated legal system's inability to meet the requirements of a market economy. Because the courts take so long to solve commercial disputes, Maj-Gen Kramariev says that "Judge Kalashnikov remains the most reliable way to recover debts".

This is true of any sphere of activity in Russia. But banking, as one of the most profitable businesses in an ailing economy, provides a useful starting-point for exploring organised crime's involvement in the economy.

More than a dozen bankers have been gunned down in contract killings over the past couple of years but not one of these crimes has been solved. The victims were believed to have rejected extortion attempts or to have become too deeply involved with unsavoury customers.

Given that Russia has no guidelines on money laundering, it is not surprising that Mr



New weapons to help fight crime: a Russian policeman with 23mm shotgun, 23mm helmet and bullet-proof helmet and face guard



Special Russian forces search a suspected black market weapons dealer in Moscow. Fifteen pistols and 500 rounds of ammunition were seized

Dmitry Tulin, deputy governor of the central bank, admits that "any banks may have customers related to illegal, underworld activities".

Mr Tulin, in charge of banking supervision and restructuring, categorically rejects, together with other Russian officials and bankers, some of the more far-fetched western speculation that the entire

banking sector is run by the mafia.

But while top bankers usually have the means to protect themselves - Mr Vladimir Gusinsky, chairman of Most-Bank, says his construction and banking group has a security force of 650 men - many smaller businesses have no choice but to pay up and shut up.

The same differences apply to foreign companies. Big multinationals which are beginning to invest in Russia and do not operate small cash-based businesses are unlikely to do deals with the mafia. But smaller outfits, such as new foreign restaurants in Moscow, or retail outlets, are asked to pay protection money, and often do.

Fears are often expressed that organised crime and extortion are stifling economic reforms and growth.

While these problems do discourage many newcomers, the harder entrepreneurs have simply adjusted to a business climate in which most participants find they have to break the law in one way or another in order to prosper. In this con-

text, many businessmen complain that the mafia is less of a problem than the corrupt bureaucracy or over-burdened taxation.

Mr Sergei Klementiev, a private farmer with a small farm and entrepreneur in the province of Nizhny-Novgorod, is doing exactly what holds agricultural reforms in the province are designed to achieve. He is challenging the state trading and food-processing monopolies by taking milk directly to town to sell it more cheaply to consumers. But he says he also has to pay protection money to "small-time crooks" who otherwise threaten to damage his retail stall.

However, he says paying protection money to the same people on a regular basis is the least of his problems, in so far as "nobody else comes and asks for money". Without even bothering to go to the police, he is far more concerned that the government should lessen taxation on his businesses.

Perhaps the main victim of organised crime is public opinion, which widely perceives market reforms as giving greater freedom to the "mafia" while impoverishing the quality of their lives. It is for this reason, if only to fend off the coming-to-power of more ruthless extremists who promise summary executions and plan dictatorship, that Russia must hope President Yeltsin can toe a fine line between restoring order and returning to the arbitrary rule of the communist past.

Leyla Bouillon

## A GUIDE FOR VISITORS

## Stable business can be done

Doing business in Russia has become in some ways more, in some ways less, taxing. The more first.

The Russian language is difficult, although it is a worthwhile courtesy to learn a few words. Few people speak English and interpreters should be carefully chosen.

It is thus both time-saving and sensible to learn as far as possible before travelling what officialdom will require of you.

Most international airlines serve Moscow and many serve St Petersburg. However, Aeroflot and the independent companies, which have been created from its partial breaking-up, dominate the internal market.

These are usually bad, sometimes very bad. Like most areas in which foreigners operate, they are charged more for the same low service. However, genuinely private airlines are beginning - of which Transaero, with several destinations within Russia and the former Soviet Union, is the best. Travel agents should be consulted.

Outside of Moscow and St Petersburg, food and hotels are at best adequate. If travelling widely, bookings should be

made well in advance and confirmed shortly before arrival. Elementary items, such as towels and bottled water, should be taken and the traveller must be prepared to be patient and to wait.

Although there is a tradition of warm hospitality in most parts of Russia, there is little or none of service and politeness: thus, public encounters are often abrasive and can quickly degenerate into squabbling. Sometimes shouting works, sometimes it makes matters worse.

Negotiation and reaching agreement can be harder than in settled economies, although far from impossible and often more rewarding. The underlying issues which must be carefully examined are those of property rights, especially of land, legislation and taxation.

The first can be very vague: that is in large part either because the law is vague and because time, even when apparently firmly vested, can in practice be hard to establish in court if challenged. The second, legislation, is a minefield of overlapping and contradictory laws which produce the effect of a field of struggle between the actors, rather than a reasonably ordered code

which defines rights and responsibilities.

Taxation, which for the moment is seen - especially by the oil companies - as usually the most severe problem, is serious because of the height of taxes and because of their variability. Companies, both Russian and foreign, must often pay taxes which can amount to more than their income: a clearly unsustainable position which is solved by evasion.

Mr Victor Chernomyrdin, the prime minister, has recently promised to reduce taxes and to grant tax holidays to foreign investors.

These issues can, of course, be clarified by reference to consultants, lawyers and accountants, of which there are now many - Russian and foreign - in Moscow, St Petersburg and, to a much lesser extent, elsewhere. But the advice cannot solve the basic problem that huge confusion exists in all these areas.

Last on the downside: a business culture is only developing in Russia and in the other former Soviet states. This means that Russian business people can display one or more of the following characteristics: an extreme naivety which foreigners were and are not slow to exploit; extreme suspicion, which bedevils relationships, certainly at first; extreme untrustworthiness, which gives rise to the saying that Russian business people start to negotiate after an agreement has been signed.

All of these views, made famous by anecdote, have a basis but they can be moderated by care and checking. The number of foreign companies - Unilever, ABB, Brown Boveri, BAT, Procter & Gamble, United Technologies and others - which are now investing with success or the expectation of it, show that the basis

for business and profits exists, albeit on a fragile foundation.

This has led us to the upside: it is a function of the steady opening-up of Russia and its neighbours which causes pain but which, nevertheless, continues. Russian politicians and officials, whatever their past and present views, are - often reluctantly - constrained to work within an economy which is being pulled towards that of the world economy; it is no longer possible to adopt an autarchic policy on either investment or on industrial structure.

Although Russia has been independent for a little over three years only and though legislation and policies to create a full market structure are even younger, it is already evident that many, especially younger, Russians working in new sectors such as finance and banking, have experienced a steep learning curve and are anxious to reach standards of professionalism equal to those in developed economies. Increasingly, these are the people with whom foreign business visitors are working and collaborating.

The influx of foreign capital, still slow compared with other developing countries, will be encouraged in the second part of this year by new laws and regulations prepared for the next phases of the privatisation process.

Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, has announced that the new privatisation programme will be designed to encourage much more rapid and significant strategic investment in the privatised Russian companies and has said that he wishes to attract much more foreign investment than he was able to do in the first phase.

Already, foreign companies

large and small have taken generally modest shares in the privatised companies and there are signs that some of them are prepared to go much further - buying out companies, creating majority shareholdings and making partnerships with Russian companies in key market sectors.

The experience of these few companies which have already done so shows that, in spite of the macro-economic problems afflicting Russia, good and stable business can be done if the ground is well prepared.

The development of foreign

hotels, restaurants and shops in Moscow and St Petersburg has been rapid in the past three years, transforming the facilities for visiting and resident foreigners and for the growing, if still small, proportion of wealthy Russians. Prices are very high by international standards and often are grossly out of line with service. However, their development has meant that discomfort need not necessarily be an inevitable accompaniment of the business traveller.

John Lloyd

**NOW YOU CAN GO FURTHER IN BUSINESS.**

If you're travelling to Russia or beyond you need someone with experience. A company who knows the region, has the contacts and who moves with the times. You need, too, a business package for all your needs. So that you're relaxed enough to do what you came to do. The business. You need Intourist. Call 071-538 4482 for your free travel pack.

**Intourist**  
Now you can.

Intourist Travel Ltd, Intourist House, 219 Marsh Wall, London, E14 9SL  
Tel: 071-538 4400. Fax: 071-538 3987. Telex: 27222.  
ANTA 17002, ATOL 241, WATA.

Producing video commercials, animation films, and comic books, based on animation.  
Supplying auctions and elite salons with original souvenirs from wood, stone and brack bark.  
Urgent accreditation of the representation of your firm in Russia with registration in Federal register.  
Taking on consignment shipments of computers and consumer electronics.  
Any proposals for co-operation will be carefully considered.

4 Volkov'sky str., Moscow Russia 123376  
Fax: (7-095) 252-1963. Tel: (7-095) 292-6511. CORVIS 11457.  
Tel: (7-095) 252-1963. Tel: 411700. CORVIS 11457.

**SAINT-PETERSBURG TRAVEL COMPANY**  
of St. Petersburg Mayor's office

- Complete service for tourists and businessmen in Russia's most beautiful city and ex-USSR.
- Excursion programme. 50 types of tours covering all aspects of interests and professional requirements.
- Interpreting and translation service in 20 languages.
- Comfortable transport service.

11, St. Isaac's sq, St. Petersburg, Russia.  
Tel: (812)210 09 85. Fax: (812)315 45 63. Telex: 121 509 Intour

BRINGING BRITISH TRADITIONS TO THE RUSSIAN MARKET

**ELECTRONICS  
HIGH TECHNOLOGY  
INVESTMENTS  
WHOLESALE AND RETAIL  
MARKET RESEARCH**

PODNTH

PODNTH is a leading provider of market research and investment services for British companies looking to enter the Russian market. We offer a comprehensive range of services, including market research, investment analysis, and business development. Our team of experts has extensive experience in the Russian market and can provide valuable insights and advice to help you succeed.

PODNTH House, 100 Regent Street, London W1B 6ER  
Tel: 071-4054335. Fax: 071-4054336

**Radisson**  
SLAVIANSKAYA HOTEL  
AND BUSINESS CENTRE

MOSCOW, RUSSIA

For your confirmed reservation, call free on 0800 19 1991.

—THIS MUST BE THE PLACE—

**MANNHEIMER SWARTLING  
IN MOSCOW**

Russian and International  
Business Law Practice  
including  
privatization, foreign investment  
and arbitration

Moscow:  
Staromonetnyj Pereulok 1, ent. 5  
109017 Moscow, Russia  
Tel. No. +7-503 230 6366  
Fax. No. +7-503 230 6312

Contact: Bengt Sjöwall in Moscow or  
Kaj Hober in Stockholm

Stockholm:  
Box 1650  
111 86 Stockholm, Sweden  
Tel. No. +46-8-613 55 00  
Fax. No. +46-8-613 55 01

**SUN GROUP OF COMPANIES**  
LONDON • NEW YORK • MOSCOW

Active in Russia for over 35 years.  
INVESTMENTS • TRADE • INDUSTRY

**SUN INDUSTRIES**  
Vorontsovsky Park, Dom 5, Moscow 117650  
Telephone: (7-095) 936-4336 Facsimile (7-095) 936-4317

**Read the FT in Russia**

If you would like details on how to obtain your daily copy of the FT in Moscow, St. Petersburg or other cities, please call Nina Golovatsenko on +7/095/2431957 or fax on +7/095/2430077.

Alternatively, please write to: Mr. Karl Capp, Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt/Main, Germany or fax us on +49/69/5964481.

Financial Times. Europe's Business Newspaper.